

Islamic financial literacy in the digital era to encourage the realization of financial well-being among Generation Z students in Kudus

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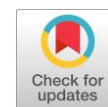
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ABSTRACT

This Community Service (PkM) activity aims to enhance the understanding of digital financial management among Islamic boarding school students (santri) in a prudent manner and in accordance with sharia principles. The initiative is motivated by the rising cases of online loan misuse and online gambling among the younger generation, including santri, due to a lack of digital financial literacy. With 73 participants and several stakeholders, the program was designed using a Learning Service methodology. The material was delivered through a practical approach supported by real-life case studies. The evaluation results demonstrated a significant improvement in participants' understanding, as evidenced by an increase in the average test scores from 74 in the pre-test to 94 in the post-test, representing a 20 per cent gain.. This finding highlights the effectiveness of the workshop in delivering in-depth and applicable insights to participants. The positive impact of the activity extended beyond improved understanding, fostering awareness of the risks associated with irresponsible use of financial technology. The outcomes of this program underscore the value of collaborative efforts among various stakeholders to develop educational initiatives that are both impactful and relevant in addressing the challenges posed by the digital era.



KEYWORDS

Islamic digital financial literacy
online loans
Online gambling
Generation Z of santri



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1. Introduction

The advancement of financial services and facilities has significantly progressed over the past decade. Financial institutions are now transitioning into the digital and mobile landscape. The term fintech, an acronym for financial technology, has become widely recognized by the public. However, the rapid advancement of this technology also has negative consequences, such as the rise of illegal online loan services. When considering the primary users of this rapidly evolving financial technology, the technology savvy generations namely Millennials (1981-1996) and Generation Z (1997-2012) [1] are at the forefront of benefiting from these technological advancements [2].

Bank Indonesia (BI), as the central financial authority in Indonesia, strongly supports the transition from physical money to digital money, known as electronification. On August 14, 2014, Bank Indonesia (BI) launched the National Non-Cash Movement (GNNT) with the aim of establishing a secure, seamless, and efficient payment system. This initiative is expected to enhance the efficiency and effectiveness of the national financial system [3]. The digital financial system is expected to enhance financial inclusion and drive economic growth across various sectors in Indonesia [4].

Bank Indonesia has also developed a blueprint for the Indonesian Payment System (SPI) until 2025. Currently, nearly all financial institutions including banks, capital markets, and microfinance institutions such as cooperatives are rapidly adopting digital services. This shift has led to the proliferation of new digital financial services, such as e-wallets and online credit platforms. The electronification of financial transactions refers to the transition from cash-based to non-cash payment methods [5]. The

electronification of financial transactions is one of the initiatives under the National Non-Cash Movement (GNNT) launched by Bank Indonesia.

According to the National Strategy for Financial Inclusion (SNKI), Digital Financial Services (LKD) refer to payment system services and/or limited financial services that are not conducted through physical offices. These services are facilitated through technology both mobile based and web based and third party agents [6]. Among the public, LKD is more commonly known as financial technology (fintech).

According to research conducted by Katadata.com, e-wallets, as a newcomer in financial services, have become the primary payment method for marketplace transactions, with 67.8% of millennials and Generation Z preferring this option [7].

Technological advancement now permeates all areas of life, including entertainment and financial services. Generation Z is highly engaged with e-sports, online gaming, and digital financial platforms such as online lending, many of which are interconnected [8]. The increasing use of e-wallets to purchase gaming vouchers, with a 127.33% rise in users and a 103.95% increase in transactions [9], highlights the seamless integration between gaming and finance. This trend also extends to Islamic finance, with many institutions offering digital services such as e-wallets and sharia-compliant online credit.

Generation Z, as a generation deeply engaged with digital technology, is also closely connected to financial technology. However, this generation is highly vulnerable to various issues in digital finance, such as impulse buying behavior, online loans, and fraudulent investments [10]. According to the Financial Services Authority (OJK), Generation Z accounts for 30% to 40% of victims of online loans and fraudulent investments [11]. This condition is highly concerning if efforts to improve financial literacy among the younger generation-especially late Generation Z individuals who are still in high school-remain insufficient.

Generation Z, a group of young individuals aged approximately 10 to 25 years, has grown up in a digital era with easy access to information and technology. This generation excels in technological adaptation but is also vulnerable to digital threats, such as illegal online loans and online gambling. The convenience of financial technology, initially designed to facilitate access to finance, is often misused by irresponsible parties to exploit young individuals. Among santri's, who are still in the stage of character development and understanding of sharia financial principles, the risk of falling into illegal online loan and gambling traps poses a significant challenge. This issue is further exacerbated by the low level of digital financial literacy, particularly among the younger generation, including santri's [12].

The increasing number of Generation Z victims of illegal online loans and online gambling has become an alarming phenomenon. The advancement of technology and the internet has provided wide access to digital financial services and online gambling platforms. Unfortunately, many young individuals lack the financial literacy needed to comprehend the risks associated with these products [8]. Online gambling frequently employs manipulative tactics, such as enticing advertisements and the promise of quick profits, making it particularly appealing to young people. When they experience losses or develop addiction, they often seek instant solutions to recover their financial setbacks, one of which is through illegal online loans. This situation creates a vicious cycle, where individuals become trapped in high-interest debt while persistently attempting to "win back" their losses on gambling platforms, ultimately leading to severe mental, social, and financial consequences [13].

Constant exposure to technology and social media has made Generation Z vulnerable to financial traps like illegal loans and online gambling [14]. These platforms often misuse personal data and employ intimidation when debts go unpaid [15]. Coupled with academic and social pressure, many youth turn to these platforms as an escape, leading to financial distress and broader social issues [16]. To address this, financial literacy, regulatory enforcement, and recovery initiatives are urgently needed [17].

Online lending is a digital based financial service that enables individuals to access funds without undergoing the complex procedures required by conventional financial institutions. This service is typically offered by financial technology (fintech) platforms, which leverage technology to enhance public access to credit [18]. In a positive context, online lending offers financial convenience, particularly for the unbanked population. However, the rapid proliferation of illegal online loans has resulted in serious issues, including exorbitant interest rates, unethical debt collection practices, and breaches of personal data security [19].

The proliferation of illegal online lending in Indonesia has become increasingly alarming, often deceiving the public through easily accessible applications and seemingly straightforward terms. However, numerous cases reveal that these platforms exploit users' personal data irresponsibly, impose non-transparent and exorbitant interest rates, and employ intimidating debt collection practices. A case reported in Semarang in 2024, involving a student who died by suicide following severe psychological distress due to online loans, exemplifies the serious and fatal consequences of irresponsible financial technology use among youth. Such incidents frequently occur due to a lack of awareness regarding the importance of understanding the legality and regulatory framework of digital financial platforms [20].

Another emerging risk in digital finance is online gambling, which refers to gambling activities conducted through digital platforms, including websites and mobile applications. The rapid advancement of technology has made this form of gambling increasingly accessible, often disguised as gaming or entertainment. From the perspective of Islamic law, gambling (*maisir*) is strictly prohibited, as it contradicts the principles of justice and ethical wealth acquisition [21]. From a social perspective, online gambling can lead to various negative consequences, including addiction, financial distress, and social fragmentation [22].

From a legal perspective in Indonesia, online gambling is prohibited under Article 303 of the Criminal Code (KUHP) and the Electronic Information and Transactions Law (UU ITE) [23]. However, this practice remains widespread as gambling operators exploit legal loopholes and technological gaps, such as the use of overseas servers. Furthermore, online gambling is often associated with money laundering and other criminal activities, posing a significant threat to economic stability and social order [24].

Enhancing financial literacy and management is essential [25], particularly for students under the auspices of the Ministry of Religious Affairs, spanning from elementary education (Madrasah Ibtidaiyah), intermediate levels (Madrasah Tsanawiyah), senior levels (Madrasah Aliyah), to higher education at Islamic Religious Higher Education Institutions. Senior level students at Madrasah Aliyah and Tsanawiyah, as part of Generation Z who are the primary consumers of digital financial services require structured guidance and literacy programs on sharia finance, especially regarding sharia compliant digital financial services. This need is particularly pressing for santri (Islamic boarding school students) with limited internet access, as they are more susceptible to digital financial service offers frequently disguised as promotions on social media platforms, gaming applications, and streaming services [26].

A survey and observation conducted at MAN 1 Kudus (State Islamic Senior High School 1 Kudus) revealed that students, teaching staff, and administrative personnel have begun engaging with sharia financial institutions both through physical and digital services. However, their understanding of Islamic economics remains limited, particularly in relation to Islamic financial institutions, including their historical background, operational systems, and institutional mechanisms. This gap is understandable, given that MAN 1 Kudus is a general Islamic educational institution rather than one specifically affiliated with financial institutions.

In response to these conditions, the researchers initiated a Community Service Program aimed at providing financial literacy through mentoring and socialization. This initiative seeks to enhance Generation Z santri's awareness of both the benefits and risks associated with digital financial transactions. What sets this program apart is its focus on *tahfidz*-based Islamic boarding school students, who are often overlooked in digital financial literacy efforts. The program employs a learning service approach that integrates real-life case studies and interactive sessions, tailored specifically to the digital behavior and religious values of santri. This makes the initiative a novel contribution in promoting sharia-compliant financial awareness and financial well-being among Generation Z in the digital era.

2. Method

This Community Service Program was implemented using the Learning Service method with a Community Development Practice approach, as referenced in Vincent II, J.W. Jack (2009) [27]. The Community Development approach is particularly suitable for this program because it emphasizes empowerment, participation, and sustainability, which align with the objectives of this activity to build long-term awareness and skills among santri in managing sharia-compliant digital finances. This approach aims to empower communities by enhancing access to resources, enabling them to achieve improved socio-economic conditions [28]. The workflow of this community service program begins with forming an implementation team and concludes with a needs assessment and the establishment of new targets.

This community service program commenced with an observation of current conditions and an analysis of the challenges faced. The next stage involved discussions to identify suitable solutions for enhancing santri's (Islamic boarding students) understanding of sharia-compliant digital financial literacy. Following the initial phase, the program focused on improving Generation Z literacy in sharia digital finance, with MAN 1 Kudus selected as the implementation locus due to its unique position as an Islamic senior high school that combines general education with religious values, and whose students (santri) are highly representative of the Generation Z demographic yet remain underserved in terms of structured financial literacy programs [29]. The stages of this service method are illustrated in the following Fig. 1.

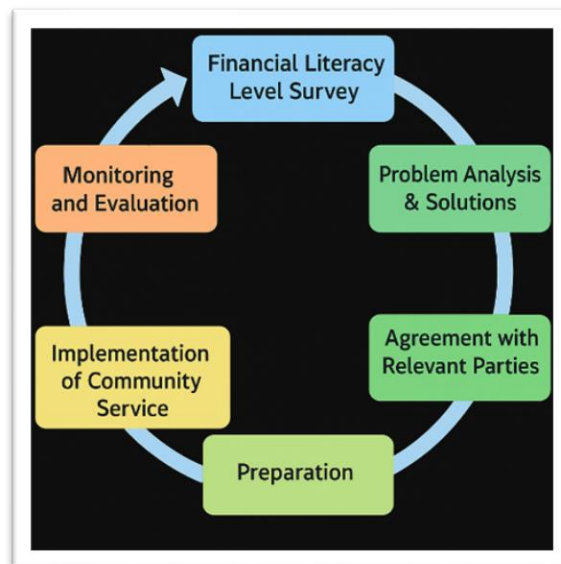


Fig. 1. Community Service Mode (Source: Author's data, 2024)

3. Results and Discussion

3.1. Overview of the Service Object

After the Abdimas team communicated with the manager of Ma'had MAN 1 Kudus, Mr. Muhlis, it was found that in the 2024/2025 academic year, the XII-grade students at MAN 1 Kudus consist of four classes: three classes enrolled in the Ma'had program and one regular class. The number of participants is shown in the Fig. 2.

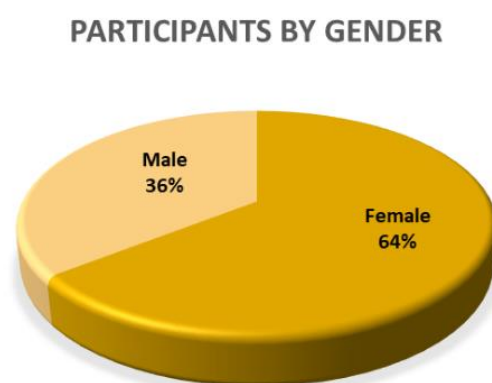


Fig. 2. Number of Participants (Source: Author's data, 2024)

Of the three classes participating in the ma'had program, they are divided into two groups: two classes in the Tahfidzul Qur'an program with a total of 73 students and one class in the Research program with 34 students, making a total of 107 XII-grade students. The ma'had buildings for the Tahfidz and Research programs are separate, allowing students to fully concentrate on their respective programs.

3.2. Implementation of Service

Before conducting the workshop titled “Islamic Financial Literacy in the Digital Era to Encourage the Realization of Financial Well-Being in Generation Z Santri at Ma'had MAN 1 Kudus,” an initial assessment of Islamic digital financial literacy was carried out. This assessment aimed to evaluate students' preliminary understanding of Islamic finance, particularly regarding the use of digital technology in financial management.

The purpose of this assessment was to gain an overview of the students' recognition and comprehension of the fundamental principles of Islamic finance and their application in digital financial management. The results of this initial assessment were crucial for designing workshop materials that effectively addressed the students' needs, ensuring they could better understand and apply Islamic financial principles in the digital era.

The assessment results indicated an average pre-test score of 74, which served as a benchmark for evaluating the program's effectiveness. This score also helped in determining a more personalized approach to delivering the material during the workshop. Through this assessment, it is expected that students will gain a deeper understanding of the importance of Islamic financial literacy in the digital era, ultimately enabling them to achieve financial well-being in accordance with Islamic principles.

3.3. Sharia Digital Financial Literacy Workshop

This workshop was conducted as part of a community service initiative aimed at providing a comprehensive understanding of the risks associated with digital financial services. These risks include the growing prevalence of online loans and online gambling, which are increasingly accessible to the public, particularly the younger generation [29]. The first activity is shown in Fig. 3 below.



Fig. 3. Participants Attendance (Source: Author's Data, 2024)

The workshop was also designed to equip the santri with insights into the use of digital financial services in accordance with sharia principles. This knowledge enables them to distinguish between services that align with Islamic values and those that contradict them, such as high-interest loan practices with unclear contracts and online gambling activities increasingly disguised within various financial applications and platforms. During the session, students were educated about the risks inherent in online loan services, including excessive interest rates, ambiguous contractual terms, and the potential for financial distress. The objective was to prevent students from falling into financial traps that could jeopardize both personal and family finances while also conflicting with sharia principles.

Additionally, the workshop covered the dangers of online gambling, which is increasingly disguised within gaming apps and reward point systems. Emphasis was placed on the moral, spiritual, and financial consequences of online gambling, as well as its potential to disrupt students' focus on learning and worship.

The workshop utilized interactive presentations, discussions, and case studies to ensure that students not only grasped theoretical concepts but also developed analytical skills to assess real-life cases related to digital financial risks [28]. This approach aimed to empower santri at Tahfidz MAN 1 Kudus to become a generation that is not only financially literate in selecting digital financial products but also committed to upholding sharia financial principles in every financial decision they make.

The Sharia Digital Financial Literacy Workshop, held on October 28, 2024, at Ma'had Tahfidz MAN 1 Kudus, was attended enthusiastically by 73 students. The event commenced with a registration process, where each participant signed the attendance list as confirmation of their presence. In addition, the organizing committee distributed seminar kits, including premium notebooks and ballpoint pens, to all participants. These kits were not merely stationery items but also a token of appreciation for the students' commitment to engaging in the workshop. The orderly attendance reflected the santri's strong sense of responsibility in participating in an activity designed to equip them with practical knowledge of sharia-compliant digital financial management. The second activity is shown in Fig. 4 below:



Fig. 4. The event begins (Source: Author's Data, 2024)

Of the total participants, 37 students were from class XII-5, while the remaining 36 came from other XII classes. This indicates that the workshop successfully reached all final-year students, equipping them with essential knowledge before they transition beyond the madrasa. The participation numbers reflect the organizers' strong commitment to delivering comprehensive benefits to all students, regardless of class or group. Furthermore, by involving nearly all final-year students, this event is expected to serve as valuable preparation for those pursuing higher education or entering the broader community.

In terms of gender distribution, the participants comprised 47 female students and 26 male students, indicating a higher level of female participation in this workshop. This trend may suggest that digital financial literacy is increasingly capturing the interest of women, who have traditionally been perceived as less engaged in financial matters. The strong participation of female santri reflects their growing awareness of the importance of understanding sharia finance, particularly in response to the rapid evolution of the digital financial landscape. Meanwhile, although fewer in number, the male participants also demonstrated a significant interest in the topics discussed.

The event commenced with an opening by one of the teacher, who served as the moderator. She provided an introduction emphasizing the urgency of financial literacy among the younger generation, particularly the santri. This was followed by remarks from the Head of Madrasah Aliyah Negeri 1 Kudus. In his speech, he underscored that understanding digital finance is no longer a mere option but a necessity for every santri. He stressed that financial literacy is essential for ensuring that students not only develop strong spiritual foundations but also become financially literate individuals capable of navigating the complexities of the modern world. The third activity is shown in Fig.5 below.



Fig. 5. Literacy by Resource Persons (Source: Author's Data, 2024)

Furthermore, remarks were also delivered by the organizer, who addressed the topic of risk mitigation in digital financial usage. In his presentation, he highlighted several risks that are often overlooked by the public, such as online fraud, the use of untrusted applications, and entanglement in financial practices that do not comply with sharia principles. His speech provided an initial insight into the importance of financial vigilance in this fast-paced digital era a highly relevant message for students who may be new to the world of digital finance.

This workshop also received full support from the counseling teachers of MAN 1 Kudus. Their presence was not only a form of moral support but also demonstrated the madrasah's serious commitment to enhancing the competencies of its students. Additionally, this activity was supported by IAIN Kudus students, who assisted in technical and operational aspects. This collaboration reflects the synergy between academics, practitioners, and the madrasah in organizing impactful and meaningful events. The fourth activity is shown in Fig. 6 below.



Fig. 6. Santri's Enthusiasm During the Event (Source: Author's Data, 2024)

The core material was delivered by the main speaker, with extensive experience in the banking sector, including serving as a Branch Manager at Bank Syariah Mandiri. His presentation, titled "Financial Wisdom: Avoiding the Trap of Online Loans and Online Gambling," covered various financial risks that often target digital finance users, such as illegal online loans that entrap many individuals and online gambling practices that contradict sharia principles. During the three-hour session, he provided practical guidelines on how to avoid these financial pitfalls and manage money wisely in accordance with Islamic financial principles.

The material presented by the speaker focused on the risks of digital finance, particularly online loans and online gambling. The discussion covered several key points, including: Online Loans, Beware of Personal Data for Online Loans, Online Gambling, Why It's Impossible to Win at Online Gambling, How to Avoid Online Gambling.

The resource person also explained that Online Loans are financial services that facilitate agreements between lenders and borrowers through an electronic system [18]. This practice is also commonly known as: Fintech Lending, Peer-to-Peer Lending, Online Lending, Technology-Based Money Lending and Borrowing Services (LPMUBTI).

Some important things to consider before using online loans include.

- Borrow According to Your Needs : Use loans for productive purposes, not just for consumption.
- Read the Terms & Conditions : Pay attention to key aspects such as fees, interest rates, and potential risks.
- Understand Your Ability to Pay : Calculate your financial capacity to ensure you can repay the installments on time.
- Use Services Registered with OJK : Always check whether the online loan provider is officially registered with OJK through this link <https://www.ojk.go.id/>

After discussing online loans, including their benefits, risks, and essential tips, the session continued with a presentation on online gambling by the resource person. Online gambling refers to betting or

gaming activities conducted over the internet [22], where money or valuables are at stake in various forms of gaming. The types of online gambling include.

- Sports Betting: Wagering on the outcome of sports matches or events such as horse racing, soccer, or e-sports.
- Online Casino Games: Includes games like poker, blackjack, roulette, and other digital gambling games.
- Online Lotteries and Bingo: Purchasing lottery tickets or participating in bingo games through online platforms.
- Esports Betting: Betting on the outcomes of competitive video game matches

The resource person also shared tips to help participants avoid the temptations of online gambling, as socialized by Kominfo [24]. These tips aim to prepare the santri to navigate the outside world after graduating from Ma'had. Some of these preventive measures include.

- Block Access to Gambling Sites

Install blocker applications such as BetBlocker or Gamban on your device to restrict access to online gambling sites. Additionally, activate control settings on your internet browser or network to filter out harmful content. This step helps minimize exposure to gambling temptations.

- Avoid Gambling Promotions and Advertisements

Do not be lured by big bonuses, enticing prizes, or advertisements promising “easy wins.” These are marketing strategies designed to trap gamblers in a harmful cycle. Unsubscribe from email, SMS, or notifications from gambling sites if you have ever registered to prevent continuous exposure and reminders to play.

- Manage Finances Strictly

Separate your savings from daily expenses to prevent impulsive spending on gambling. Develop the habit of recording all expenses to track where your money goes. With good financial management, you can stay focused on long-term financial goals, such as investments or future savings, rather than wasting money on gambling.

- Fill Your Time with Positive Activities

Keep yourself engaged in meaningful activities like sports, reading, cooking, or learning new skills. Join communities or organizations that align with your interests to expand your social circle and have more valuable experiences. These positive engagements help reduce the temptation to gamble.

- Build a Support System

Share your commitment to avoiding gambling with close family and friends so they can provide moral support and encouragement. If needed, seek professional help from a counselor or psychologist to overcome addiction or gambling urges. A strong support system ensures that you don't feel alone in this journey.

After the material session, the discussion became one of the most anticipated parts. Three students, Nadya Fairuz Saniya, Alayya Rahma Syakira, and Syifa Sania Tamuz, actively engaged by asking insightful questions to the speakers. Their questions reflected both a deep understanding and a strong interest in the topics discussed. As a token of appreciation for their active participation, each of them received a door prize, which further motivated other participants to be more engaged in future activities. This interactive discussion highlighted that the workshop was not just a one-way information session but also an effective platform for meaningful exchanges of knowledge. The fifth activity is shown in Fig. 7.

With a series of well-structured and insightful events, this workshop successfully provided participants with a comprehensive understanding of sharia digital financial literacy. It is hoped that students will not only grasp the importance of this knowledge but also be able to implement it in their daily lives. The support from speakers, organizers, and stakeholders played a crucial role in making this event a tangible step toward fostering a financially literate generation grounded in Islamic values.



Fig. 7. Santri asking a question (Source: Author's data, 2024)

3.4. Post Activity Literacy Evaluation

Following the workshop “Islamic Financial Literacy in the Digital Era to Encourage the Realization of Financial Well-Being in Generation Z Santri at Ma'had MAN 1 Kudus,” a post-assessment of Islamic digital financial literacy was conducted to evaluate students' understanding of Islamic financial concepts, particularly those related to the use of digital financial technology after receiving the literacy training.

The results of the pre-test and post-test conducted during the Sharia Digital Financial Literacy Workshop indicated a significant improvement in participants' comprehension of digital financial literacy, particularly in the areas of wise financial management and risk mitigation related to online loans and online gambling. Before participating in the workshop, the average pre-test score was 74, suggesting that while participants had a fairly good initial understanding, further deepening was required, especially in technical and applicative aspects. After engaging in a series of material sessions and interactive discussions, the average post-test score increased to 94, reflecting a 20% improvement. This increase demonstrates that the workshop effectively provided participants with a more in-depth and practical understanding, particularly in recognizing the dangers of illegal online loans and online gambling, as well as managing finances in accordance with sharia principles. The graph illustrating the pre-test and post-test results is presented in Fig. 8 below.

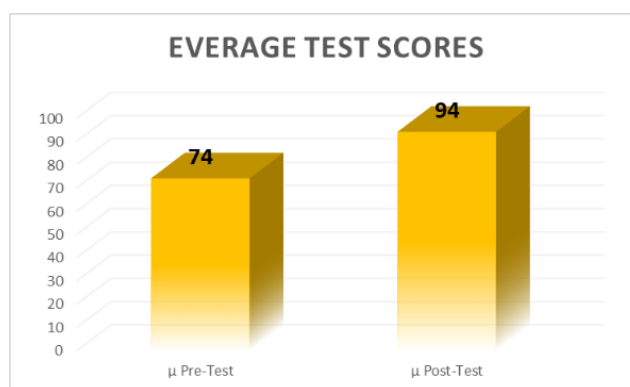


Fig. 8. PkM Evaluation Results (Source: Author's data, 2024)

This significant improvement can be attributed to the interactive method of delivering the material, which was highly relevant to the participants' daily lives. The resource persons employed a practical approach by presenting real-life case studies, enabling participants to relate the material to situations they might encounter. Additionally, discussions and question-and-answer sessions actively engaged the participants, providing them with the opportunity to clarify their understanding and share personal experiences or perspectives. Given the substantial increase in post-test scores, it can be concluded that this activity not only introduced new insights but also enhanced the participants' ability to apply digital financial literacy wisely in the modern era. The outcomes of this initiative align with previous research [17], [30] and similar community service programs conducted in various regions of Indonesia, such as Suarantalla et al. [31], this program conducted in Sumbawa and Pawestri et al. in Jember [32].

4. Conclusion

The Sharia Digital Financial Literacy Workshop held at Ma'had Tahfidz MAN 1 Kudus successfully provided students with a deeper understanding of the importance of wise digital financial management in accordance with sharia principles. Through the materials presented, participants not only learned about the benefits of digital finance but also gained awareness of its inherent risks, such as illegal online loans and online gambling. As a result, students now have better insights into identifying digital financial threats and implementing mitigation strategies, enabling them to become smart and responsible users of digital financial services. Beyond individual benefits, this workshop also fostered a broader positive impact on the santri community at Ma'had Tahfidz MAN 1 Kudus. The knowledge acquired by participants can be shared within their circles, cultivating a stronger awareness of Islamic financial literacy in the digital era. Overall, this workshop was more than just an educational session it was a strategic initiative to equip the younger generation with the financial knowledge needed to navigate modern challenges. With their enhanced understanding of sharia digital financial literacy, students are now expected to apply these principles in their daily financial decisions, both individually and within their communities. This service activity, while having many advantages, also faced some limitations, particularly in terms of time constraints, facilities, and other resources. Therefore, Abdimas has compiled several recommendations for future service activities to enhance their impact. First, it is recommended to hold similar workshops periodically with more diverse topics related to sharia financial literacy, such as halal investment, personal financial management, and sharia-based entrepreneurship. Second, future workshops could incorporate sharia-based digital financial applications or simulations, allowing participants to directly experience and understand their practical use. Lastly, it is suggested that sharia digital financial literacy be integrated into extracurricular programs or weekly madrasah activities, ensuring a gradual and structured learning process for students. By implementing these recommendations, future service activities can provide even greater benefits, fostering a more financially literate and sharia-compliant generation.

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