What Drive Islamic Financial Inclusion in Banda Aceh City?

Putri Ghina Marla[1], Said Musnadi[2], M. Shabri Abd. Majid[3]

[1]Faculty of Economics and Business, Syiah Kuala University, Jl. Teuku Nyak Arief, Kopelma Darussalam, Kec. Syiah Kuala, Kota Banda Aceh, Aceh 23111, Indonesia, marlaputrighina@gmail.com,
[2]Faculty of Economics and Business, Syiah Kuala University, Jl. Teuku Nyak Arief, Kopelma Darussalam, Kec. Syiah Kuala, Kota Banda Aceh, Aceh 23111, Indonesia, said.musnadi@feb.usk.ac.id
[3]Faculty of Economics and Business, Syiah Kuala University, Jl. Teuku Nyak Arief, Kopelma Darussalam, Kec. Syiah Kuala, Kota Banda Aceh, Aceh 23111, mshabri@usk.ac.id*
*) Corresponding author email

Abstract. This empirical study explores the role of Islamic financial literacy in strengthening Islamic financial inclusion through financial technology, digital finance, and social capital. Analyzing 385 respondents using Structural Equation Modeling (SEM), the findings reveal significant direct effects of Islamic financial literacy on financial technology, digital finance, and social capital. Additionally, these factors collectively impact Islamic financial inclusion. Mediating effects demonstrate that financial technology, digital finance, and social capital mediate the influence of Islamic financial literacy on Islamic financial inclusion. Implications include the prioritization of Islamic finance education to enhance public understanding and the need for collaborative efforts to establish Shariah-compliant financial technology infrastructure. Fostering social capital is crucial, reducing resistance to change and increasing participation in Islamic financial services. The study underscores an integrated approach, combining education, technological innovation, and social capital development for robust Islamic financial inclusion, promoting sustainable economic growth.

Key words: Digital finance, financial technology, Islamic financial inclusion, Islamic financial literacy, social capital.

Abstrak. *Studi empiris ini mengeksplorasi peran literasi keuangan syariah dalam memperkuat inklusi keuangan syariah melalui teknologi keuangan, keuangan digital dan modal sosial. Menganalisis 385 responden dengan menggunakan* Structural Equation Modeling (SEM), *temuan dari penelitian ini menunjukkan adanya pengaruh langsung yang signifikan antara literasi keuangan syariah terhadap teknologi keuangan, keuangan digital, dan modal sosial. Selain itu, faktor-faktor tersebut secara bersama-sama berdampak pada inklusi keuangan syariah. Efek mediasi menunjukkan bahwa teknologi keuangan, keuangan digital, dan modal sosial memediasi pengaruh literasi keuangan syariah terhadap inklusi keuangan syariah. Implikasi dari hasil penelitian ini adalah perlunya memprioritaskan edukasi keuangan syariah untuk meningkatkan pemahaman masyarakat dan perlunya upaya kolaboratif untuk membangun infrastruktur teknologi keuangan yang sesuai dengan syariah. Memupuk modal sosial sangat penting, mengurangi resistensi terhadap perubahan dan meningkatkan partisipasi dalam layanan keuangan syariah. Studi ini menekankan pendekatan terpadu, yang menggabungkan edukasi, inovasi teknologi, dan pengembangan modal sosial untuk inklusi keuangan syariah yang kuat, yang mendorong pertumbuhan ekonomi yang berkelanjutan.*

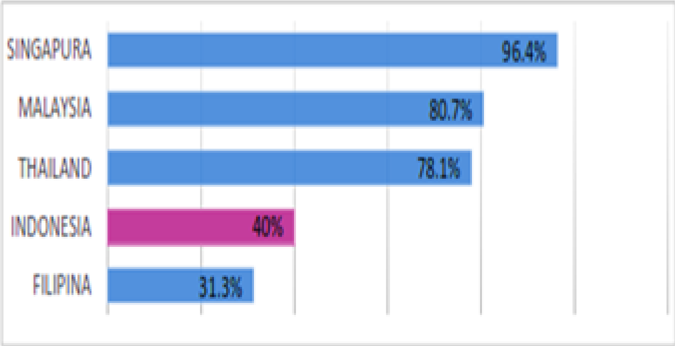
Kata Kunci: *Inklusi keuangan syariah, keuangan digital, literasi keuangan syariah, modal sosial, teknologi keuangan.*

INTRODUCTION

The financial sector's dynamics significantly impact economic and social activities, improving lives globally. Information technology development has enabled widespread financial access, fostering community involvement. Financial inclusion, as defined by the Financial Services Authority (OJK), ensures universal access to and effective use of financial services, contributing to economic development and system stability (OJK, 2017). Indonesia's financial inclusion index was 76% in 2019, lower than Singapore (98%), Malaysia (85%) and Thailand (82%), prompting President

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106
Received: 20 November 2023; Accepted: 3 June 2024

Jokowi's decree (No.114/2020) aiming for 90% by 2024 (OJK, 2019). This reflects the government's strategic commitment to citizens' well-being, aligning with the 2015-2019 Indonesian Financial Services Sector Master Plan (MPSJKI) for comprehensive financial inclusion and assessing access relative to ASEAN countries.



Source: Financial Services Authority (OJK), 2021.

Figure 1 Community access to formal finance

Examining the data from the MPSJKI, as depicted in Figure 1, provides insight into Indonesia's financial inclusion. Approximately 40% have formal financial access, surpassing the Philippines (31.3%) but trailing behind ASEAN peers (Thailand 78.1%, Malaysia 80.7%, Singapore 96.4%). Indonesia ranks second-lowest in ASEAN for formal finance access. Limited formal finance usage, highlighted in the MPSJKI, is a key factor hindering financial inclusion. Many still rely on non-financial institutions, posing a challenge to integrating more people into the formal financial system. Addressing this issue collaboratively with stakeholders is crucial for enhancing Indonesia's financial inclusion.

Globally, financial inclusion is a shared concern, prompting nations to develop strategies for broader access to financial services. Atkinson and Messy (2013) define it as providing affordable, timely, and adequate access to various financial products, aiming to reach all segments of society. In Indonesia, addressing minimal formal finance usage requires a comprehensive approach. Collaboration between the government, financial institutions, regulators, and technology providers is essential. Initiatives should not only improve access but also enhance financial literacy through educational programs. Embracing technology, such as mobile banking and fintech, can bridge gaps, reaching remote populations. A holistic strategy, combining regulation, education, and technology, can substantially increase financial inclusion, unlocking economic potential and contributing to broader development.

The digital divide remains a pressing challenge, necessitating the advancement of technology-driven services (Aam and Irfan, 2019). Internet usage and digital finance, as highlighted by Li et al. (2020) and Shen et al. (2020), play pivotal roles in augmenting financial inclusion. Fintech, the fusion of financial features with modern technology, makes financial services more affordable and accessible (Ansori, 2019). Tok and Heng (2022) emphasize fintech's role in expediting the adoption of various financial services, enhancing financial inclusion. The collaboration between traditional banking and fintech entities, providing secure and user-friendly interfaces, can improve public awareness and accessibility.

Digital finance, involving the integration of electronic products and services, emerges as a transformative force, making financial services more affordable, accessible, and secure for a broader demographic (Nguyen et al., 2023; Gomber et al., 2017). Social capital plays a crucial role in understanding factors influencing access to formal finance, as highlighted by a study from Bongomin et al. (2016). Defined as interconnected actual and potential resources, social capital emphasizes collaboration within the community to overcome societal challenges. Strong connections and

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

cooperation with those sharing a common interest in overcoming financial barriers are essential, gradually elevating financial inclusion.

Fukuyama (2000) further notes that social capital, rooted in values, culture, and institutions, empowers citizens. Collaborative networks and shared resources act as catalysts for fostering a culture of financial inclusion, making it a crucial aspect of any strategy. Policymakers, financial institutions, and community leaders can cultivate social capital through initiatives promoting trust, cooperation, and mutual support. Educational programs integrating financial literacy with community values enhance social capital's effectiveness in driving financial inclusion. Financial literacy, comprising awareness, knowledge, attitudes, and behavior, is vital for informed financial decisions and individual prosperity (Goyal and Kumar, 2021). Studies, including those by Bire et al. (2019) highlight the profound impact of enhanced financial literacy on society, leading to increased savings, investments, and positive influences on financial inclusion.

The initial survey on Islamic financial inclusion, Islamic financial literacy, financial technology, digital finance, and social capital in Banda Aceh City provides valuable insights into the perceptions of residents regarding these key dimensions. Respondents view Islamic financial inclusion positively but note limited access to financial benefits. In financial technology, respondents lack knowledge and skills, and there is a single-product trend in Islamic financial service institutions.

Digital finance shows good overall perception, but concerns arise in utilization and flexibility. Social capital is deemed good, but issues include a lack of information sharing and trust in borrowing. Islamic financial literacy is viewed as good, yet challenges exist in saving routines, budgetary discipline, and consistent monthly savings. Increased income has not translated into greater saving inclination, requiring government measures to raise awareness about the importance of the Islamic financial system. This comprehensive overview underscores the need for targeted interventions to enhance financial literacy, build trust, and promote innovative financial technologies for inclusive and sustainable practices in Banda Aceh City (Lusardi, 2019; Rizky and Rachmatan, 2016).

The novelty of this research lies in its comprehensive exploration of the mediating roles played by financial technology, digital finance, and social capital in the relationship between Islamic financial literacy and Islamic financial inclusion. This study aims to shed light on how these intermediary factors influence the effectiveness of financial literacy initiatives in promoting broader financial inclusion within the Islamic financial framework.

Compared to previous studies that have primarily focused on isolated aspects of financial inclusion, such as literacy or technology adoption, this research integrates multiple dimensions. By examining the interplay between Islamic financial literacy and inclusion, while considering the mediating effects of technology and social capital, this study provides a more holistic understanding of the factors influencing financial practices in Banda Aceh City. This holistic approach is crucial in developing targeted interventions that address the specific challenges faced by the community, ultimately contributing to the advancement of financial inclusion initiatives.

The significance of this research is underscored by the unique socio-economic landscape of Banda Aceh City. Furthermore, the research addresses the digital divide and emphasizes the role of financial technology and digital finance in bridging gaps and fostering inclusion. In a rapidly advancing technological landscape, understanding how digital solutions can enhance financial inclusion is paramount. By exploring the relationship between these technological advancements and financial practices, the research provides insights that can inform policy decisions and industry practices to better align with the evolving needs of the community.

The incorporation of social capital as a mediating factor adds a distinctive sociocultural dimension to the study. Recognizing the importance of community cooperation and trust in financial practices, this research delves into the interconnectedness of individuals within the community and their impact on

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

financial inclusion. This aspect aligns with global trends acknowledging the role of social capital in shaping financial behaviors and, in turn, influencing financial inclusion outcomes. The findings are expected to contribute not only to academic scholarship but also to the formulation of targeted policies and interventions that can enhance financial inclusion in Banda Aceh City and potentially serve as a model for similar contexts.

LITERATURE REVIEW

The Effect of Islamic Financial Literacy on Financial Technology

Financial Technology (fintech) is a technology-based business providing financial services, replacing traditional structures (Palmié et al., 2020; Arner et al., 2020). Fintech covers various financial transactions, including payments, investments, money lending, transfers, and financial planning. The industry, with 142 identified companies, is gaining popularity, especially in digital payments in Indonesia. The government and society anticipate its growth to increase financial services access.

Islamic financial literacy involves knowledge, skills, and attitudes aligned with Islamic principles. In the context of Fintech, individuals with Islamic financial literacy are expected to use technology in compliance with sharia principles (Nugroho and Apriliana, 2022). This suggests that those with higher Islamic financial literacy make informed and ethical choices on Fintech platforms, seeking sharia-compliant solutions. Their literacy also influences how they assess, adopt, and trust Fintech in the Islamic finance sector, promoting responsible use within the sharia framework (Sadari and Hakim, 2019).

As the capital of Aceh province, where sharia law is prominently implemented, Banda Aceh offers a rich environment to study how Islamic financial principles influence the adoption and utilization of financial technology. The city's distinct regulatory framework and its population's adherence to Islamic financial norms provide a compelling case for examining the integration and impact of financial technology within an Islamic financial system. Therefore, the first hypothesis of this study is as follows:

H1: Islamic financial literacy has an influence on financial technology in Banda Aceh City

The Effect of Islamic Financial Literacy on Digital Finance

Digital finance involves the digitization of the financial industry, covering electronic products and services like credit and chip cards, electronic exchanges, ATMs, and mobile and app-based services (Gomber, et al., 2017). In Aam and Irfan's research (2019), the connection between sharia financial literacy and digital finance is explored, highlighting the necessity of digital transformation in Islamic banking services. With media shifting to online formats in the digital era, accessibility and sharing of information about Islamic economics and banking become easier. Individuals with a strong foundation in Islamic financial literacy are likely to approach and use digital financial services in line with sharia-compliant practices.

Banda Aceh City is an optimal setting for studying the effect of Islamic financial literacy on digital finance due to its prominent implementation of sharia law and its commitment to Islamic financial principles. As the capital of Aceh province, it provides a unique socio-economic environment where traditional Islamic values are intricately woven into the financial practices of the community. This distinctive context allows for an in-depth analysis of how well-informed Islamic financial literacy influences the adoption, perception, and usage of digital finance tools in a region where adherence to Sharia law shapes economic behavior. Therefore, the second hypothesis of this study is as follows:

H2: Islamic financial literacy has an influence on digital finance in Banda Aceh City

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

The Effect of Islamic Financial Literacy on Social Capital

Social capital refers to shared values and norms within a group, fostering cooperation and cohesive interactions (Cai et al., 2021). Research by Bongomin et al. (2016) suggests that high financial literacy in a group encourages active engagement in social activities, enhancing social capital. Good social capital, achieved through regular gatherings and discussions about financial products, improves welfare, financial decision-making, and access to financial institution products and services.

Islamic financial literacy fosters shared values and norms, promoting trust and cooperation. Individuals with a strong understanding of Islamic financial principles are likely to engage in ethical financial practices, contributing to shared responsibility and mutual support within the community. This commitment enhances social cohesion and strengthens bonds among community members. Islamic financial literacy also encourages responsible financial behavior, fostering collaboration and contributing to overall community social capital.

Banda Aceh City is a strategic location for researching the effect of Islamic financial literacy on social capital due to its strong adherence to Islamic principles and the cohesive social fabric shaped by sharia law. As the capital of Aceh province, it provides a unique environment where Islamic financial literacy is likely to significantly influence social interactions, trust, and community networks. This setting allows for an insightful examination of how a deep understanding of Islamic financial principles can enhance social capital, fostering greater community cooperation and economic resilience within a context deeply rooted in Islamic tradition. Therefore, the third hypothesis of this study is as follows:

H3: Islamic financial literacy has an influence on social capital in Banda Aceh City

The Effect of Islamic Financial Literacy on Islamic Financial Inclusion

Financial literacy, defined as the ability to manage finances for future prosperity (Dwiastanti, 2015), applies similarly to Islamic financial literacy, with the distinction that it adheres to Islamic sharia principles (Rahim et al., 2016). Islamic financial inclusion involves providing timely, smooth, and safe access to quality formal financial services for every community member, aligning with their needs and capacities to enhance welfare (OJK, 2016). The close relationship between financial literacy and financial inclusion is evident in the higher utilization of financial products and services by those with greater financial literacy (OJK, 2017).

In the Islamic context, financial literacy extends to understanding shariah-compliant financial products and services, playing a pivotal role in promoting awareness, trust, and confidence in the Islamic financial system. This knowledge empowers individuals to make informed decisions aligned with their values, contributing to active engagement with Islamic financial services and consequently achieving financial inclusion (Basrowi et al., 2020; Bire et al., 2019).

As the capital of Aceh province, which has a strong commitment to Islamic values, Banda Aceh provides a distinctive environment to explore how well-informed Islamic financial literacy can enhance access to and participation in Islamic financial services. The city's socio-economic landscape, deeply influenced by Islamic principles, offers valuable insights into how increased financial literacy can drive greater financial inclusion in a community dedicated to sharia-compliant financial solutions. Therefore, the fourth hypothesis of this study is as follows:

H4: Islamic financial literacy has an influence on Islamic financial inclusion in Banda Aceh City

The Effect of Financial Technology on Islamic Financial Inclusion

Financial Technology (Fintech) has significantly impacted Islamic financial inclusion by overcoming traditional barriers through innovative solutions and digital platforms (Muneeza and Mustapha, 2021). Fintech in Islamic finance democratizes financial services, making Islamic banking and takaful more

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

accessible. Mobile banking apps and digital wallets facilitate secure transactions, particularly benefiting individuals in remote areas.

Fintech addresses financial literacy challenges by providing educational apps and online resources, empowering informed decision-making and fostering trust in the digital financial ecosystem. The integration of shariah-compliant financial technology (fintech shariah) is expected to enhance confidence in Islamic financial services, contributing to increased participation and greater financial inclusion (Basrowi et al., 2020). Fintech shariah is seen as a technological advancement that strengthens trust in Islamic finance, playing a key role in shaping attitudes, community ties, and financial knowledge dissemination, ultimately promoting inclusive finance.

As the capital of Aceh province, known for its strict adherence to Islamic principles, Banda Aceh provides a distinctive setting to study how financial technology can enhance access to sharia-compliant financial services. The city's commitment to Islamic values and its socio-economic dynamics offer a rich context for examining how innovative financial technologies can bridge gaps in financial inclusion, ensuring that financial services are accessible, efficient, and compliant with Islamic law. Therefore, the fifth hypothesis of this study is as follows:

H5: Financial technology has an influence on Islamic financial inclusion in Banda Aceh City

The Effect of Digital Finance on Islamic Financial Inclusion

Digital finance is one form of effort to increase the level of public awareness of the presence of Islamic finance in Indonesia. The level of smartphone and internet usage continues to increase every year, becoming a moment that must be utilized by all industrial sectors, including the Islamic finance industry, the public will increasingly understand that Islamic finance has a very diverse range of services and products and is not inferior to the conventional financial industry (OJK, 2016). With the ease of public access to Islamic finance, one of which is through digital finance, it will have a major impact on increasing the level of Islamic financial inclusion in Indonesia (OJK, 2016).

As the capital of Aceh province, where Islamic principles govern socio-economic activities, Banda Aceh provides a unique environment to explore how digital finance can enhance the accessibility and integration of sharia-compliant financial services. This city's unique regulatory and cultural landscape offers valuable insights into how digital finance solutions can be tailored to meet the needs of a community dedicated to Islamic financial inclusion. Therefore, the sixth hypothesis of this study is as follows:

H6: Digital finance has an influence on Islamic financial inclusion in Banda Aceh City

The Effect of Social Capital on Islamic Financial Inclusion

Social capital plays a crucial role in enhancing the recognition of financial services and social security, influencing accessibility within the microfinance institution sector and contributing to increased financial inclusion (Wulandari et al., 2020). Enhanced social capital, as identified by Goenadi et al. (2022), promotes financial inclusion by fostering strong social connections within communities. Regular gatherings, idea sharing, and discussions on financial products build valuable knowledge, leading to increased awareness, improved welfare, informed financial decisions, and seamless access to financial institution services.

The positive impact of social capital on knowledge dissemination and community support empowers individuals to navigate financial landscapes effectively, promoting easier engagement with financial services. This demonstrates the significant influence of social capital in generating positive outcomes within social structures based on trust, norms, and values derived from social networks and associations (Fafchamps, 2006).

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Banda Aceh City is an ideal location for researching the effect of social capital on Islamic financial inclusion due to its unique socio-cultural environment shaped by the implementation of sharia law. As the capital of Aceh province, Banda Aceh has a strong community network and trust-based social structures deeply rooted in Islamic values. This setting provides a valuable context for examining how social capital, characterized by community cooperation, trust, and mutual support, influences the accessibility and uptake of sharia-compliant financial services, thereby enhancing Islamic financial inclusion in a region committed to Islamic principles. Therefore, the seventh hypothesis of this study is as follows:

H7: Social capital has an influence on Islamic financial inclusion in Banda Aceh City

The Effect of Islamic Financial Literacy on Islamic Financial Inclusion through Financial Technology

Fintech, characterized by the digitalization of the financial system, enables easy access to financial products and services, exemplified by online banking for activities like money transfers and balance checking (Bank Indonesia, 2016). The rise of Islamic financial inclusion programs in the fintech era relies on innovation and public awareness. These programs aim to enhance access to banking and financial institutions, supporting community empowerment and improving the quality of Islamic financial services. Fintech innovation plays a key role in promoting Islamic financial literacy and inclusion, offering technology-based services that facilitate access to Islamic financial services (Sadari and Hakim, 2019).

As the capital of Aceh province, where Islamic financial practices are deeply embedded in the socio-economic fabric, Banda Aceh offers a distinctive environment to study how well-informed Islamic financial literacy can leverage financial technology to enhance access to and participation in sharia-compliant financial services. This setting provides a rich context for examining the synergistic impact of financial literacy and technology on financial inclusion in a community committed to Islamic values. Therefore, the eighth hypothesis of this study is as follows:

H8: Islamic financial literacy affects Islamic financial inclusion mediated by financial technology in Banda Aceh City

The Effect of Islamic Financial Literacy on Islamic Financial Inclusion through Digital Finance

To enhance Islamic financial inclusion, companies and practitioners in Islamic finance can leverage digital technology to improve public access to Islamic financial products and services. The rapid development of digital technology, particularly in the era of Industry 4.0, offers opportunities for facilitating operations within the industry (Aam and Irfan, 2019). Research by Shen et al. (2020) highlights the dual mediating role of internet usage and digital financial products between financial literacy and financial inclusion. To promote Islamic financial inclusion in Banda Aceh City, fostering good Islamic financial literacy and encouraging the use of digital financial products is essential, particularly with increasing internet accessibility among the public.

As the capital of Aceh province, Banda Aceh provides a unique environment where Islamic financial practices are deeply ingrained in the socio-economic landscape. This context offers an insightful setting to explore how a deeper understanding of Islamic financial principles can influence the adoption and utilization of digital finance tools, thereby enhancing access to sharia-compliant financial services and promoting greater financial inclusion within a community deeply rooted in Islamic tradition. Therefore, the ninth hypothesis of this study is as follows:

H9: Islamic financial literacy affects Islamic financial inclusion mediated by digital finance in Banda Aceh City

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

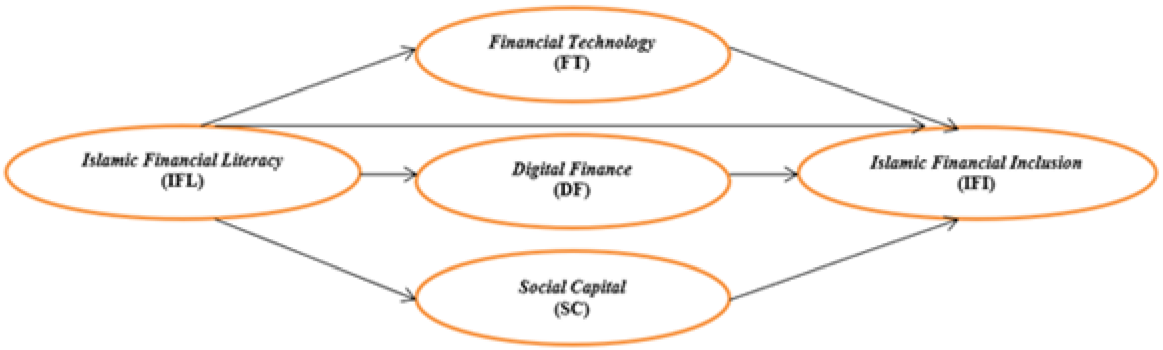
The Effect of Islamic Financial Literacy on Islamic Financial Inclusion Through Social Capital

Fukuyama (2000) defines social capital as shared values and informal norms fostering cooperation within a society, encompassing reciprocity, norms, trust, and networks. Utilizing social capital as a dimension built on values, culture, and institutions can gradually enhance financial literacy and inclusion within communities. Bongomin et al.'s (2016) research emphasizes that financial literacy programs alone are insufficient for increasing financial inclusion. Future financial education programs should be re-planned through social structures, such as non-formal financial programs distributed in age-based communities. Combining economic, social capital, and community development approaches can focus on enhancing financial literacy and inclusion, with social capital serving as a supportive factor in improving Islamic financial literacy and inclusion.

As the capital of Aceh province, Banda Aceh offers a unique socio-cultural context where Islamic values shape daily life and interactions. This environment provides an ideal setting to examine how Islamic financial literacy fosters social capital, promoting trust, cooperation, and mutual support within the community, thereby facilitating greater access to Sharia-compliant financial services and enhancing overall financial inclusion in a region deeply committed to Islamic tradition. Therefore, the tenth hypothesis of this study is as follows:

H10: Islamic financial literacy affects Islamic financial inclusion mediated by social capital in Banda Aceh City

Based on the description above, the research model in this study can be seen in Figure 2 as follows:



Source: Authors illustration, 2023.

Figure 2 Theoritical framework

METHOD

This study aims to empirically test the strengthening of Islamic financial inclusion through financial technology, digital finance, and social capital based on increasing Islamic financial literacy. The method and data analysis used in this research is Structural Equation Modeling (SEM), with a sample size of 385 respondents selected through proportionate stratified random sampling. The sample in this study is the number of productive age population in the age range of 15-64 years in Banda Aceh City, and the data were collected through questionnaires.

The questionnaire in this study was designed in accordance with the variables studied and refers to the latest and reputable relevant theories and references. The questionnaire was developed following all scientific stages, such as expert validation, pilot testing, and mass distribution. To enrich the analysis, secondary data sourced from relevant reports and documents will be referred to. The collected data will be analyzed following all scientific stages, such as instrument test, classical assumption test, model fit test, and effect test. Mathematically, the regression equation describing the relationship between the variables under study can be written as follows:

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

$$FT = \gamma 1.1\ IFL + \zeta 1 \quad (1)$$
$$DF = \gamma 2.1\ IFL + \zeta 2 \quad (2)$$
$$SC = \gamma 3.1\ IFL + \zeta 3 \quad (3)$$
$$IFI = \gamma 4.1\ IFL + \gamma 4.2\ FT + \gamma 4.3\ DF + \gamma 4.4\ SC + \zeta 4 \quad (4)$$

Where, SC is social capital, FT is financial technology, DF is digital finance, IFL is Islamic financial literacy and IFI is Islamic financial inclusion. According to the method in SEM, gamma (γ) is a symbol of the path coefficient matrix for the relationship between exogenous latent variables and endogenous latent variables. While ζ (zeta) is a structural error or chance error in the model.

The data in this study will be analyzed using Structural Equation Modeling (SEM). Before SEM analysis, SEM assumption tests are first carried out, namely data must be normally distributed, free from outliers and multicollinearity. If the SEM assumptions have been met, confirmatory factor analysis is continued to measure the reliability of the measurement items used in the study. Indicators or dimensions are concluded to be able to measure or reflect latent variables if they have factor loading> 0.7. Measurement items that have factor loading <0.7 are dropped from the analysis.

RESULTS AND DISCUSSION

Validity Testing Results

Testing the validity of the data in this study was carried out statistically, namely by using the Pearson Product-Moment Coefficient of Correlation test which can be seen in Table 1.

Table 1 Validity test results

Indicator	Variable	Correlation Coefficient	Critical Value 5% (N=385)	Results
A1	Islamic Financial Literacy	0.808	0.1832	Valid
A2		0.729		
A3		0.794		
A4		0.761		
A5		0.782		
A6		0.826		
A7		0.778		
A8		0.822		
A9		0.797		
A10		0.839		
B1	Financial Technology	0.724	0.1832	Valid
B2		0.681		
B3		0.722		
B4		0.716		
B5		0.807		
B6		0.626		
B7		0.851		
B8		0.800		
B9		0.822		
B10		0.783		
C1	Digital Finance	0.815	0.1832	Valid
C2		0.828		
C3		0.820		
C4		0.833		
C5		0.657		
C6		0.817		
C7		0.788		
C8		0.814		
C9		0.646		
C10		0.819		

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Table 1 Validity test results (continue)

Indicator	Variable	Correlation Coefficient	Critical Value 5% (N=385)	Results
D1	Social Capital	0.728	0.1832	Valid
D2		0.762		
D3		0.741		
D4		0.625		
D5		0.705		
D6		0.742		
D7		0.766		
D8		0.768		
D9		0.687		
D10		0.651		
E1	Islamic Financial Inclusion	0.821	0.1832	Valid
E2		0.789		
E3		0.854		
E4		0.853		
E5		0.865		
E6		0.859		
E7		0.795		
E8		0.855		
E9		0.619		
E10		0.797		

Source: Primary data processed, 2023.

Based on Table 1, it can be explained that all the variables used in this study are all declared valid, because they have a correlation coefficient above the critical value of the Product Moment correlation, which is 0.1832 so that all questions contained in this research questionnaire are declared valid to continue deeper research. Thus, all indicator items of each variable in this study have met the requirements for further testing.

Reliability Testing Results

To assess the reliability of the questionnaire used, this study used a reliability test based on Cronbach Alpha which can be seen in Table 2.

Table 2 Reliability test results

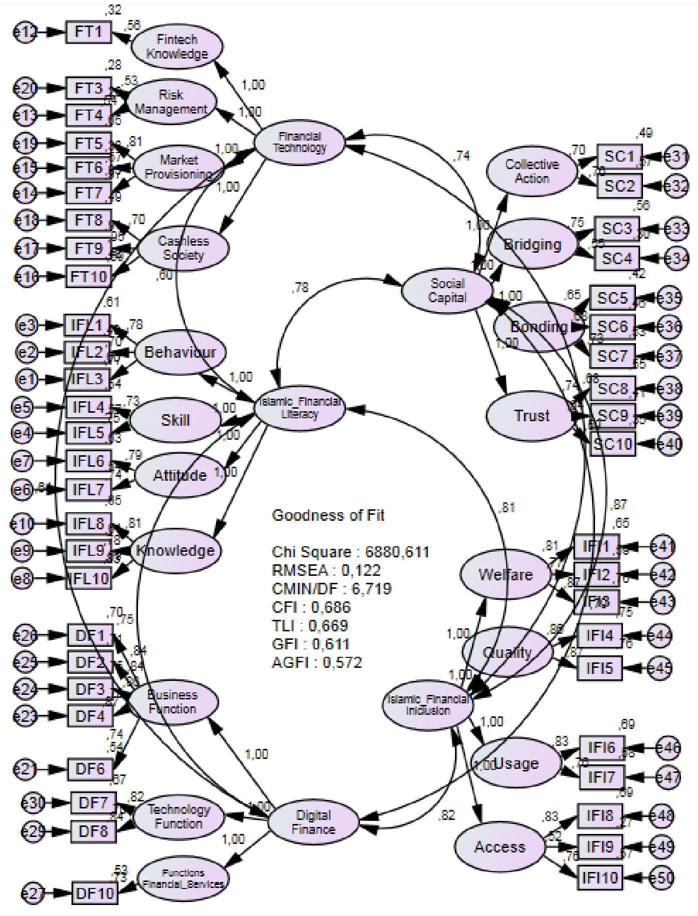
No.	Variable	Variable Items	Alpha Value	Results
1.	Islamic Financial Literacy	10	0.934	Reliable
2.	Financial Technology	10	0.912	Reliable
3.	Digital Finance	10	0.928	Reliable
4.	Social Capital	10	0.893	Reliable
5.	Islamic Financial Inclusion	10	0.937	Reliable

Source: Primary data processed, 2023.

Based on the reliability analysis, it can be seen that the alpha for each respondent's perception variable can be seen from several variables showing that the reliability measurement meets the credibility of Cronbach Alpha where the alpha value is greater than Alpha 0.60.

(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Confirmatory Factor Analysis



Source: Primary data processed, 2023.

Figure 3 Confirmatory factor analysis results

The results of data processing for confirmatory factor analysis for all constructs in this study are shown in Figure 3.

Loading factors that represent the contribution of each indicator to the variable it represents can be seen in Table 3.

Table 3 Loading factor of indicators on its variables

			Estimate
IFL3	<---	Behaviour	.771
IFL2	<---	Behaviour	.697
IFL1	<---	Behaviour	.778
IFL5	<---	Skill	.752
IFL4	<---	Skill	.732
IFL7	<---	Attitude	.735
IFL6	<---	Attitude	.795
IFL10	<---	Knowledge	.830
IFL9	<---	Knowledge	.783
IFL8	<---	Knowledge	.806
FT4	<---	Risk_Management	.541
FT7	<---	Market_Provisioning	.973
FT6	<---	Market_Provisioning	.573

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Table 3 Loading factor of indicators on its variables (continue)

			Estimate
FT10	<---	Cashless_Society	.692
FT9	<---	Cashless_Society	.954
FT8	<---	Cashless_Society	.701
FT5	<---	Market_Provisioning	.807
FT3	<---	Risk_Management	.527
DF6	<---	Business_Function	.736
DF4	<---	Business_Function	.870
DF3	<---	Business_Function	.864
DF2	<---	Business_Function	.845
DF1	<---	Business_Function	.836
DF10	<---	Functions_Financial_Services	.731
DF8	<---	Technology_Function	.836
DF7	<---	Technology_Function	.820
SC1	<---	Collective_Action	.703
SC2	<---	Collective_Action	.756
SC3	<---	Bridging	.750
SC4	<---	Bridging	.545
SC5	<---	Bonding	.648
SC6	<---	Bonding	.678
SC7	<---	Bonding	.730
SC8	<---	Trust	.744
SC9	<---	Trust	.643
SC10	<---	Trust	.591
IFI1	<---	Welfare	.807
IFI2	<---	Welfare	.769
IFI3	<---	Welfare	.871
IFI4	<---	Quality	.865
IFI5	<---	Quality	.872
IFI6	<---	Usage	.832
IFI7	<---	Usage	.763
IFI8	<---	Access	.833
IFI9	<---	Access	.520
IFI10	<---	Access	.756
FT1	<---	Fintech_Knowledge	.563

Source: Primary data processed, 2023.

Based on the results of the confirmatory analysis in Figure 3 and Table 3, it can be seen that all indicators are qualified because the loading factor value > 0.5.

Evaluation of Goodness of Fit Criteria

Based on Table 4, it can be seen that in general, using the goodness of fit test, it can be concluded that the existing measurement model has met the fit criteria, so the output coming out of this model can be used as findings or research findings related to the relationship between indicators and their respective constructs.

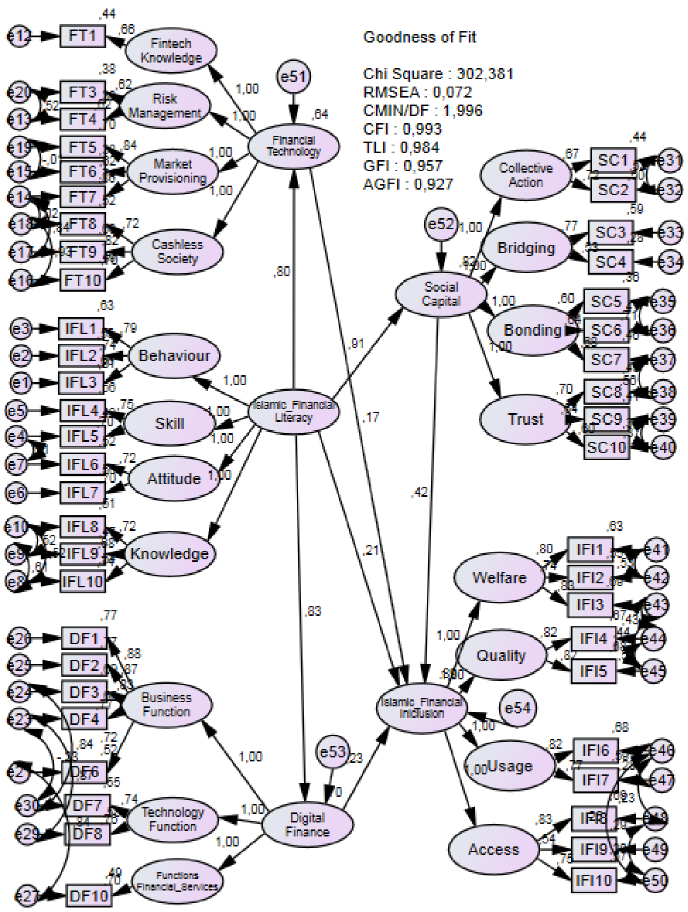
Table 4 Measurement model feasibility test results

Goodness of Fit Index	Cut off Value	Results	Model Evaluation
Chi-Square	< 621.225	302.381	Good fit
RMSEA	≤ 0.08	0.072	Good fit
GFI	≥ 0.90	0.957	Good fit
AGFI	≥ 0.90	0.927	Good fit
CMIN/DF	≤ 2.00	1.996	Good fit
TLI	≥ 0.90	0.984	Good fit
CFI	≥ 0.90	0.993	Good fit

Source: Primary data processed, 2023.

AL-MUZARA’AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Structural Equation Modeling (SEM) Analysis



Source: Primary data processed, 2023.

Figure 4 Structural Equation Model (SEM) testing results

The full model Structural Equation Model (SEM) analysis is carried out after analyzing the level of unidimensionality of the latent variable forming indicators tested by confirmatory factor analysis. Analysis of data processing results at the full model SEM stage is carried out by conducting suitability tests and statistical tests. The results of data processing for full model SEM analysis are shown in Figure 4.

Hypothesis Testing

Hypothesis testing in this study was carried out based on the Critical Ratio (CR) value of a causal relationship from the SEM processing results as in Table 5.

Table 5 Standardized regression weight Structural Equational Model

			Estimate	S.E.	C.R.	P
Financial_Technology	<---	Islamic_Financial_Literacy	0.803	0.078	11.880	0.000***
Digital_Finance	<---	Islamic_Financial_Literacy	0.834	0.065	12.233	0.000***
Social_Capital	<---	Islamic_Financial_Literacy	0.908	0.069	12.827	0.000***
Islamic_Financial_Inlclusion	<---	Social_Capital	0.419	0,.109	4.215	0.000***
Islamic_Financial_Inlclusion	<---	Financial_Technology	0.165	0.049	3.127	0.002***
Islamic_Financial_Inlclusion	<---	Digital_Finance	0.229	0.065	3.962	0.000***
Islamic_Financial_Inlclusion	<---	Islamic_Financial_Literacy	0.208	0.108	2.620	0.045**

Source: Primary data processed, 2023.
Note: **) significant at 5% significance level
***) significant at 1% level of significance

(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Based on Table 5, several conclusions can be obtained. **First**, the effect of sharia financial literacy on financial technology obtained a CR value of 11.880 with a significance level of 0.000. Thus, it can be concluded that Islamic financial literacy influences the improvement of financial technology. This indicates that 80.3% of the improvement in financial technology can be attributed to Islamic financial literacy.

A robust understanding of Islamic finance principles becomes a driving force for adopting fintech in Islamic finance. Stakeholders, equipped with in-depth Islamic financial literacy, can identify and implement shariah-compliant fintech solutions. This synergy bridges traditional Islamic finance and modern fintech, promoting advancements that enhance financial inclusion, efficiency, and transparency in the global Islamic finance landscape. This aligns with Dinh's (2022) perspective that financial literacy positively influences fintech adoption, especially among young people, and is consistent with Hasan et al.'s (2021) findings that financial knowledge significantly impacts access to financial technology services.

Second, the influence of Islamic financial literacy to digital finance, a CR value of 12.233 was obtained with a significance level of 0.000. Thus, it can be concluded that Islamic financial literacy has an effect on increasing digital finance. The magnitude of the influence of Islamic financial literacy on digital finance is 0.834 or 83.4%. This indicates that a stronger understanding of Islamic finance concepts enhances the adoption of shariah-compliant digital financial products. This literacy enables stakeholders to navigate digital tools tailored for the Islamic finance sector, fostering trust and informed decision-making.

The convergence of Islamic financial literacy and digital finance fuels innovation, financial inclusion, and accessibility, benefiting both the Islamic finance industry and a wider population seeking modern financial solutions aligned with their religious beliefs. This aligns with Dinh's (2022) findings, emphasizing the significant role of financial literacy in the adoption of digital payment applications.

Third, the influence of Islamic financial literacy to social capital obtained a CR value of 12.827 with a significance level of 0.000. Thus, it can be concluded that Islamic financial literacy has an effect on increasing social capital. The magnitude of the influence of Islamic financial literacy on social capital is 0.908 or 90.8%. This indicates that enhanced Islamic financial literacy enables individuals to participate in shariah-compliant financial activities, fostering collaborations in diverse financial endeavors. This shared financial literacy framework establishes trust and cooperation, strengthening social networks.

Additionally, improved Islamic financial literacy supports community-based financial initiatives, enhancing economic resilience and social cohesion. The synergy between Islamic financial literacy and social capital promotes overall societal well-being, encouraging financial stability, social harmony, and sustainable development within communities engaged in Islamic finance. This result is supported by research by Bongomin et al. (2016) showing that high financial literacy in a group encourages active involvement in social activities, thus increasing social capital.

Fourth, the influence of Islamic financial literacy on Islamic financial inclusion, a CR value of 2.620 was obtained with a significance level of 0.045. Thus, it can be concluded that Islamic financial literacy influences Islamic financial inclusion. The magnitude of the influence of Islamic financial literacy on Islamic financial inclusion is 0.208 or 20.8%. This indicates that the higher the level of Islamic financial literacy will further increase Islamic financial inclusion.

It implies that when individuals and institutions gain a deeper understanding of Islamic finance principles and practices, the chance of greater inclusivity within the Islamic financial ecosystem improves dramatically. This relationship stems from the fact that increased Islamic financial literacy allows individuals to make informed financial decisions based on shariah-compliant principles, lowering barriers to access and participation for a larger segment of the population. This result is

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

supported by Basrowi et al (2020) and Grohmann et al. (2018) who found that financial literacy has a significant effect on financial inclusion.

Fifth, the influence of financial technology on Islamic financial inclusion obtained a CR value of 3.127 with a significance level of 0.002. Thus, it can be concluded that financial technology has an effect on Islamic financial inclusion. The magnitude of the influence of financial technology on Islamic financial inclusion is 0.165 or 16.5%. This indicates that the higher the financial technology will have a direct influence on Islamic financial inclusion.

The finding highlights the significant impact of finTech on Islamic financial inclusion, emphasizing the transformative role that innovative digital financial solutions can play in the context of Islamic finance. Fintech, which includes mobile banking, digital wallets, peer-to-peer lending platforms, and blockchain-based solutions, has the potential to significantly expand the scope and accessibility of financial services, thereby lowering entry and participation barriers for individuals and communities adhering to Islamic finance principles. These technological advances can democratize access to financial products and services by rendering them more affordable, effective, and convenient. This finding is supported by Arner et al. (2020) who states that Fintech is a key driver of financial inclusion, which in turn underpins balanced and sustainable development.

Sixth, the influence of digital finance on Islamic financial inclusion, a CR value of 3.962 was obtained with a significance level of 0.000. Thus, it can be concluded that digital finance has an effect on Islamic financial inclusion. The magnitude of the influence of digital finance on Islamic financial inclusion is 0.229 or 22.9%. This indicates that the higher digital finance will have a direct impact on Islamic financial inclusion. It implies that as digital financial technologies and platforms become more sophisticated and widely available in the context of Islamic finance, the prospects for greater financial inclusion within Muslim-majority and other Islamic finance-practicing communities improve significantly.

Mobile banking, digital wallets, and online payment systems are examples of digital finance services that have the potential to reduce traditional obstacles to financial access and participation. It helps people, particularly those in underserved or distant areas, to access financial services more easily and affordably. Furthermore, it promotes the development of novel Islamic financial products and services that address a broader and more diverse spectrum of financial demands. As a result, marginalized individuals and communities can be empowered, improving their financial well-being and economic chances.

Finally, enhanced digital finance acceptance and penetration can play a critical role in enhancing Islamic financial inclusion, supporting economic growth, decreasing poverty, and attaining sustainable development goals inside Islamic finance ecosystems and beyond. This finding is supported by Ozili (2018), who discovered that digital finance through fintech providers has a positive impact on financial inclusion in both developing and developed countries, and that the convenience provided by digital finance to individuals on low and irregular incomes is often more valuable to them than the higher costs they would have to incur to obtain such services from conventional regulated banks.

Last, the influence of social capital on Islamic financial inclusion, a CR value of 4.215 was obtained with a significance level of 0.000. Thus, it can be concluded that social capital has an effect on Islamic financial inclusion. The magnitude of the influence of social capital on Islamic financial inclusion is 0.419 or 41.9%. This indicates that the higher the social capital will have a direct influence on Islamic financial inclusion. This emphasizes the profound connection between social capital and the promotion of Islamic financial inclusion. It suggests that as a community or society's social capital strengthens, the possibility of increased inclusivity within the Islamic finance ecosystem improves significantly.

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Social capital consists of the trust, social networks, and social norms that facilitate cooperation and collective action among individuals and organizations. In the context of Islamic finance, a robust social capital can result in increased participation and access to financial services, especially among underserved or marginalized communities. When individuals have confidence in their colleagues and financial institutions, they are more likely to engage in financial activities, save, invest, and seize opportunities.

In addition, robust social networks can facilitate the dissemination of financial knowledge and information, which is indispensable for making informed financial decisions. In turn, this can contribute to the development of community-based financial initiatives and cooperative ventures that promote financial inclusion, economic empowerment, and poverty reduction within Islamic financial systems, ultimately resulting in greater social and economic well-being. This result is supported by Bongomin et al. (2016) who found that in the absence of social capital, financial literacy may fail to increase the level of financial inclusion among rural poor households in Uganda. Therefore, social capital is one of the important factors in increasing financial inclusion.

Furthermore, testing the mediation hypothesis in this study was carried out with Bootsrapping Testing which can be seen in Table 6.

Table 6 Bootstrapping test results

	Origin Sample	**Minimum Sample**	**Standard Error**	**T Statistics**	P-value
Islamic Financial Literacy→Financial Technology→Islamic Financial Inclusion	0.296	0.096	0.056	3.700	0.000***
Islamic Financial Literacy→Digital Finance→Islamic Financial Inclusion	0.160	0.158	0.069	2.313	0.021**
Islamic Financial Literacy→Social Capital→Islamic Financial Inclusion	0.273	0.263	0.081	3.348	0.001**

Source: Primary data processed, 2023.
Note: **) significant at 5% significance level
***) significant at 1% level of significance

From the bootstrapping calculation results in Table 6, there are several results. **First**, the effect of Islamic financial literacy on Islamic financial inclusion through financial technology shows a t-statistic of 3.700 and a p-value of 0.000. Thus, financial technology acts as a mediating variable between Islamic financial literacy and Islamic financial inclusion. This finding emphasizes the crucial role of financial technology as a powerful mediator between Islamic financial literacy and Islamic financial inclusion. It indicates the impact of a person's proficiency in Islamic finance principles and practices on their level of inclusion within the Islamic finance ecosystem is substantially amplified and facilitated by the presence and use of fintech solutions.

While Islamic financial literacy provides individuals with information and awareness of shariah-compliant finance, fintech serves as a bridge, converting this knowledge into practical, accessible, and convenient financial services and products. Fintech innovations, including mobile banking, digital wallets, and peer-to-peer lending platforms adapted to Islamic finance principles, enable individuals and communities to surmount traditional barriers to access and participation in the financial system. These technologies not only expand the availability of financial services, but also make them more accessible and convenient.

Therefore, they enable individuals to effectively implement their financial literacy, engage in a broader range of financial activities, and gain access to opportunities for savings, investments, and financial well-being within the Islamic finance ecosystem. Fintech plays a transformative role in promoting greater Islamic financial inclusion by acting as a catalyst that leverages the knowledge gained from Islamic financial literacy and translates it into tangible financial inclusion outcomes,

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

thereby fostering economic empowerment and sustainability for a larger segment of society. This finding is in line with research conducted by Arner et al. (2020), Basrowi et al. (2020) and Grohmann et al. (2018).

Second, the effect of Islamic financial literacy on Islamic financial inclusion through digital finance shows a t-statistic result of 2.313 and a p-value of 0.021. Thus, digital finance acts as a mediating variable between Islamic financial literacy and Islamic financial inclusion. This finding emphasizes the significance of digital finance as a potent mediator between Islamic financial literacy and Islamic financial inclusion. It suggests that an individual's or community's proficiency in Islamic finance principles and practices, as represented by Islamic financial literacy, exerts a more substantial influence on their level of inclusion within the Islamic finance ecosystem when mediated through the use of digital financial tools and platforms. Islamic financial literacy imparts individuals with knowledge and comprehension of shariah-compliant finance, but it is the application of this knowledge through digital finance that significantly improves their access to and participation in financial services.

Adapted to Islamic finance principles, digital financial innovations such as mobile banking, digital wallets, and online investment platforms serve as facilitators by providing individuals with convenient and affordable access to Islamic finance. These technologies bridge the gap between literacy and inclusion, allowing individuals to put their knowledge into practice, gain access to a broader range of financial services, and capture opportunities for savings, investments, and financial well-being within the Islamic finance ecosystem. Therefore, digital finance plays a transformative role in amplifying the impact of Islamic financial literacy on Islamic financial inclusion, ultimately contributing to economic empowerment and sustainability for a larger segment of the population adhering to Islamic financial ethics. This finding is in line with research conducted by Ozili (2018), Basrowi et al (2020) and Grohmann et al (2018).

Finally, the effect of Islamic financial literacy on Islamic financial inclusion through social capital shows a t-statistic result of 3.348 and a p-value of 0.000. Thus, social capital acts as a mediating variable between Islamic financial literacy and Islamic financial inclusion. This finding emphasizes the importance of social capital as a significant mediator between Islamic financial literacy and Islamic financial inclusion. It implies that when mediated by the influence of social capital, an individual's or community's proficiency in Islamic finance principles and practices—represented by Islamic financial literacy—can have a more significant impact on their level of inclusion within the Islamic finance ecosystem.

Social capital comprises the trust, networks, and social norms that facilitate cooperation and collective action, and within the context of Islamic finance, it can play a pivotal role in removing obstacles to financial access and participation. When individuals or communities have a substantial amount of social capital, they are more likely to utilize financial services, establish investment partnerships, and collaborate on projects that adhere to Islamic financial principles. Strong social networks can facilitate the dissemination of financial knowledge and information, leading to well-informed financial decisions, which can be facilitated by a belief in peers and financial institutions.

In addition, social capital can foster community-based financial initiatives and cooperative endeavors that promote financial inclusion and economic empowerment within Islamic financial systems. In this manner, social capital functions as a mediator, amplifying the effect of Islamic financial literacy on Islamic financial inclusion, and ultimately fostering economic growth, social equity, and sustainable development within Islamic finance ecosystems and communities. This finding is in line with research conducted by Bongomin (2018), Basrowi et al (2020) and Grohmann et al (2018).

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

CONCLUSION

This study aims to empirically test the strengthening of Islamic financial inclusion through financial technology, digital finance, and social capital based on increasing Islamic financial literacy. Based on the test results using the Structural Equation Modeling (SEM) method on 385 respondents, several results are shown. First, the direct effect results show that Islamic financial literacy has a significant effect on financial technology, digital finance, and social capital. Second, social capital, financial technology, digital finance, and Islamic financial literacy have a significant effect on Islamic financial inclusion. Third, the results of the mediating effect show that financial technology, digital finance, and social capital are able to mediate the effect of Islamic financial literacy on Islamic financial inclusion.

The implications of these findings are very important in the context of Islamic finance policy development and financial inclusion. First of all, Islamic finance education needs to be prioritized and strengthened to improve people's understanding of Islamic finance principles. Training and education programs should be designed to provide a deeper understanding of how Islamic principles can be integrated into modern financial products. Second, the government and financial institutions need to work together to develop shariah-friendly financial technology infrastructure. This includes the development of digital banking applications, peer-to-peer lending platforms, and online payment systems that comply with Islamic finance principles. These steps will facilitate people's access to financial services that are in line with their religious beliefs.

Third, the development of social capital in the community should be encouraged. Programs that build trust, support the formation of social networks, and strengthen social norms that support Islamic financial inclusion should be encouraged. By strengthening social capital, people will be more open to Islamic financial services and financial technology, reducing resistance to change and increasing participation in the financial system. Overall, these findings underscore the need for an integrated approach that includes education, technological innovation and social capital building to strengthen Islamic financial inclusion. By strengthening the understanding, accessibility and social support for Islamic finance, people can more easily access financial services that are in line with their religious beliefs, which in turn will support inclusive and sustainable economic growth.

For future research, it is important to consider several additional aspects that can enrich the understanding and development of the analytical model. These include contextual variables, such as cultural and legal factors that influence the adoption of Islamic financial services. The influence of cultural and legal norms related to Islamic finance can shape people's preferences and choices in using Islamic financial products. Research that considers these variables will provide a deeper understanding of the dynamics of Islamic financial inclusion in specific social and cultural contexts. By integrating these aspects into future research, we can develop a more complete and complex understanding of Islamic financial inclusion. This will pave the way for the development of more effective policies and initiatives to expand access to Islamic finance, support inclusive economic growth, and improve the welfare of communities that embrace the principles of Islamic finance.

REFERENCES

Aam, S. R. & Irfan, N. (2019). Digitalization of Islamic finance towards inclusive finance: Maqashid syariah framework. *Journal of Economics, Finance, Banking and Accounting*, *11*(1), 55–76.

Ansori, M. (2019). Perkembangan dan dampak *financial technology (fintech)* terhadap industri keuangan syariah di Jawa Tengah. *Wahana Islamika: Jurnal Studi Keislaman*, *15*(1), 31–45.

Arner, D. W., Buckley, R. P., Zetzsche, D. A., & Veidt, R. (2020). Sustainability, fintech and financial inclusion. *European Business Organization Law Review*, *21*(1), 7–35.

Atkinson, A. & Messy, F.-A. (2013). Promoting financial inclusion through financial education: OECD/INFE evidence, policies and practice. *Working Papers on Finance, Insurance and Private Pensions*). https://doi.org/10.1787/5k3xz6m88smp-en.

(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

Bank Indonesia. (2016). Surat Edaran No.18/22/DKSP. Penyelenggaraan Layanan Keuangan Digital.
Basrowi, Suryanto, T., Anggraeni, E., & Nasor, M. (2020). The effect of Islamic financial literation and financial technology on Islamic financial inclusion. *AL-FALAH : Journal of Islamic Economics*, *5*(2), 231–263.
Bire, A. R., Sauw, H. M., & Maria. (2019). The effect of financial literacy towards financial inclusion through financial training. *International Journal of Social Sciences and Humanities*, *3*(1), 186–192.
Bongomin, G. O. C., Munene, J. C., Ntayi, J. M., & Malinga, C. A. (2018). Nexus between financial literacy and financial inclusion: Examining the moderating role of cognition from a developing country perspective. *International Journal of Bank Marketing*, *36*(7), 1190-1212.
Bongomin, G. O. C., Ntayi, J. M., Munene, J. C., & Nkote Nabeta, I. (2016). Social capital: mediator of financial literacy and financial inclusion in rural Uganda. *Review of International Business and Strategy*, *26*(2), 291–312.
Cai, W., Polzin, F., & Stam, E. (2021). Crowdfunding and social capital: A systematic review using a dynamic perspective. *Technological Forecasting and Social Change*, 162.
Dinh, M. T. P. (2022). *Financial Literacy and Fintech Adoption Among the Young.* (Master Thesis, Eastern International University, Thủ Dầu Mộ, Vietnam).
Dwiastanti, A. (2015). Financial literacy as the foundation for individual financial behavior. *Journal of Education and Practice, 6*(33), 99–105.
Fafchamps, M. (2006). Development and social capital. *Journal of Development Studies*, *42*(7), 1180–1198.
Fukuyama, F. (2000). Social capital and civil. *IMF Working Paper*.
Goenadi, G. F., Murhadi, W. R. & Ernawati, E. (2022). The influence of financial literacy on financial inclusion: Social capital as mediating variable. *Media Ekonomi Dan Manajemen*, *37*(2), 195-209.
Gomber, P., Koch, J. A., & Siering, M. (2017). Digital finance and fintech: Current research and future research directions. *Journal of Business Economics*, *87*, 537-580.
Goyal, K. & Kumar, S. (2021). Financial literacy: A systematic review and bibliometric analysis. *International Journal of Consumer Studies*, *45*(1), 80-105.
Grohmann, A., Klühs, T. & Menkhoff, L. (2018). Does financial literacy improve financial inclusion? Cross country evidence. *World Development*, *111*(1), 84–96.
Hasan, M., Le, T., & Hoque, A. (2021). How does financial literacy impact on inclusive finance? *Financial Innovation*, *7*(1), 1–23.
Li, Y., Wang, C., Xiang, J., & Fang, Z. (2020). Limited rationality of traders, information disclosure quality and price discovery efficiency. *Xitong Gongcheng Lilun yu Shijian/System Engineering Theory and Practice*, *40*(7), 1682–1693.
Lusardi, A. (2019). Financial literacy and the need for financial education: Evidence and implications. *Swiss Journal of Economics and Statistics*, *155*(1), 1–8.
Muneeza, A., & Mustapha, Z. (2021). Islamic fintech and financial inclusion. *Islamic FinTech: Insights and Solutions,* 173-190.
Nguyen, Q. T. T., Ho, L. T. H., & Nguyen, D. T. (2023). Digitalization and bank profitability: evidence from an emerging country. *International Journal of Bank Marketing*, *41*(7), 1847-1871.
Nugroho, A. P. & Apriliana, R. M. (2022). Islamic financial literacy and intention to use Gopay in Yogyakarta: Extended theory of acceptance models. *KnE Social Sciences*, 329-338.
[OJK] Otoritas Jasa Keuangan. (2016). *National Survey on Financial Literacy and Inclusion 2016* (SNLIK) [online]. [accessed 2023 Jan 02]. Retrieved from https://www.ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Documents/Pages/Siaran-Pers-OJK-Indeks-Literasi-dan-Inklusi-Keuangan -Meningkat/17.01.23%20Tayangan%20%20Presscon%20%20nett.compressed.pdf.
[OJK] Otoritas Jasa Keuangan. (2017). *Indonesia's National Financial Literacy Strategy* [online]. [accessed 2023 Jan 02]. Retrieved from: https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Strategi-Nasional-Literasi-Keuangan-Indonesia-(Revisit-2017)-/SNLKI%20(Revisit%202017).pdf.
[OJK] Otoritas Jasa Keuangan. (2019). *National Survey on Financial Literacy and Inclusion* (SNLKI)

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106

[online]. [accessed 2023 Jan 02]. Retrieved from: https://ojk.go.id/id/berita-dan-kegiatan/publikasi/Pages/Survei-Nasional-Literasi-dan-Inklusi-Keuangan-2019.aspx.
[OJK] Otoritas Jasa Keuangan. (2021). *Indonesia Financial Services Sector Master Plan 2021-2025* [online]. [accessed 2023 Jan 02]. Retrieved from: https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Pages/Master-Plan-Sektor-Jasa-Keuangan-Indonesia-2021-2025.aspx.
Ozili, P. K. (2018). Impact of digital finance on financial inclusion and stability. *Borsa Istanbul Review*, *18*(4), 329–340.
Palmié, M., Wincent, J., Parida, V., & Caglar, U. (2020). The evolution of the financial technology ecosystem: An introduction and agenda for future research on disruptive innovations in ecosystems. *Technological Forecasting and Social Change*, 151.
Rahim, S. H. A., Rashid, R. A., & Hamed, A. B. (2016). Islamic financial literacy and its determinants among university students: An exploratory factor analysis. *International Journal of Economics and Financial Issues*, *6*, 32–35.
Rizky, R. & Rachmatan, R. (2016). Correlation between body image and consumptive behavior on adolescents in Banda Aceh. *Jurnal Psikogenesis*, *4*(2), 182–191.
Sadari & Hakim, A. (2019). Revitalisasi keuangan inklusif dalam sistem perbankan syariah di era financial technology. *Journal of Islamic Economics, Finance, and Banking*, *1*(1), 1–24.
Shen, Y., Hu, W. & Zhang, Y. (2022). Digital finance, household income and household risky financial asset investment. *Procedia Computer Science*, *202*, 244–251.
Shen, Y., Hueng, C. J., & Hu, W. (2020). Using digital technology to improve financial inclusion in China. *Applied Economics Letters*, *27*(1), 30–34.
Tok, Y. W., & Heng, D. (2022). Fintech: Financial inclusion or exclusion?. *IMF Working Paper*.
Wulandari, A. S., Darwin, M., Moeljono, D., & Sukamdi. (2020). Enhancing financial inclusion through social capital in Indonesia: A case study of women micro enterprise group in Bogor Regency, West Java. *International Journal of Society, Development and Environment in the Developing World*, *4*(2), 31–44.

AL-MUZARA'AH Vol. 12 No. 1, 2024
(ISSN p: 2337-6333; e: 2615-7659)
DOI: 10.29244/jam.12.1.87-106