

### The Influence of Financial Literacy and Financial Inclusion on Preventing Fraudulent Investments (Case of IAIN Palopo Students)

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#### Abstract

This research aims to analyze the partial influence of financial literacy on the prevention of fraudulent investments, the partial influence of financial inclusion on the prevention of fraudulent investments and to simultaneously analyze the influence of financial literacy and financial inclusion on the prevention of fraudulent investments. This research uses quantitative methods with questionnaires as data collection. The sample used was purposive sampling with a sample size of 100 people. The data analysis used is multiple linear regression. The results of this research show that partially financial literacy and financial inclusion have a positive effect on preventing fraudulent investments. Meanwhile, financial literacy and financial inclusion simultaneously influence the prevention of fraudulent investments.

**Keywords:** Financial Literacy; Financial Inclusion; Fraudulent Investment

#### INTRODUCTION

Financial and investment literacy is very important in financial management. By having an understanding of these two things, an individual can overcome financial problems in the future. Financial literacy has a positive impact on individual financial management thereby contributing to future interests (Bialowolski et al., 2020; Firmansyah et al., 2022; Muliana et al., 2023;). In this modern era with internet technology that can be reached at just your fingertips, financial products and services appear to be becoming increasingly diverse. As a result, it becomes more difficult for people to differentiate between official and unofficial financial services. Perpetrators of investment fraud, also known as fraudulent investments, are increasingly sophisticated and difficult to detect. In the current era, investment fraud is still widespread in society. Many offer

investments in return for large profits so that they will attract the attention of potential victims to invest.

Cases of fraudulent investments have been popping up recently, as of October 5 2022, the OJK has again frozen 17 entities, including money games, trading robots and fake sites, to date there are 1,112 investments that are still considered illegal. The ease of access to information in today's digital era certainly makes it easier for criminals to reach out while providing fraudulent investment offers. This is explained in Alba et al's research, which states that illegal investments are still widespread via social media and the public does not know about official investments based on OJK regulations. Therefore, it is necessary to increase financial literacy related to investment among the public.

Apart from that, to prevent fraudulent investments, people need to get access to financial institutions which is known as financial inclusion. Financial inclusion has an important role in society. Financial inclusion has also been proven to contribute to economic growth and sustainable development in Muslim countries and has a positive impact on improving economic prosperity (Ozili, 2022; Sabri et al., 2020). Sharia financial inclusion influences economic prosperity (Yuni, Revita, 2021). This research aims to analyze the influence of financial literacy and financial inclusion on fraudulent investment, both partially and simultaneously.

## **LITERATURE REVIEW**

### **Financial Literacy**

Some literature states that financial literacy is the ability and ability to utilize knowledge about financial concepts and confidently make appropriate personal financial decisions (Fariana et al., 2021; Pandin et al., 2021; Sekararum et al., 2020; Susanti, 2021). Several researchers (Ćumurović, Aida; Hyll, 2019; Kumar et al., 2017; Purwidiani and Tubastuvi, 2019; Strömbäck et al., 2017; Struckell et al., 2022) shows that financial literacy can be improved through education and experience. Low levels of financial literacy are also related to individual investment behavior and household financial behavior, where financial literacy also acts as a moderator of financial and investment behavior (Amir Hayat, 2018; Arun and Kamath, 2015; Khan et al., 2022; Mutlu and Özer, 2022; Iskandar et al., 2023). Financial literacy also has an influence on each individual's lifestyle.

In line with previous research by Ning Ma et al., (2022), Yulianah & Muflikhati, (2023), Stella Mahir Juhar Baptista, (2021) explained that financial literacy can positively and significantly influence financial management such as investment and savings. Regarding this, it is also in accordance with previous research conducted by Bilici & Çevik, (2023), Yang et al., (2023) and Gunawan & Chairani (2019). So understanding financial literacy certainly influences the lifestyle of every individual, especially housewives. Of course, if you understand this, you will be able to solve household financial problems, especially for housewives who don't work.

### **Financial Inclusion**

Developing literature explains that financial inclusion is the right of every person to get full access and services from financial institutions in a timely, comfortable, informative and affordable manner, with full respect for dignity and worth (Basrowi et al. 2020; Multazam Mansyur Addury 2018). Previous research explains that sharia financial inclusion is related to the economic welfare of Muslim minority communities. Findings (Azizah et al., 2021; Boukhatem and Ben Moussa, 2018; Muhajir et al., 2019) explains that financial inclusion influences and has a positive relationship to economic prosperity.

The theoretical concept of sharia financial inclusion not only has an impact on economic growth, but also has an impact on the financial welfare of Muslim communities (Hamida et al., 2023; Puspitaningrum, 2021; Suziraha Dzulkepli and Mohd Nizam Barom, 2021; Syarifuddin, 2021) shows that sharia financial inclusion has a positive effect on poverty alleviation. Therefore, we propose that Sharia Financial Inclusion certainly has characteristics that provide opportunities for Muslim minority communities to participate in economic activities that are in accordance with the values of Islamic teachings, such as investment in the halal sector or micro businesses that support economic prosperity.

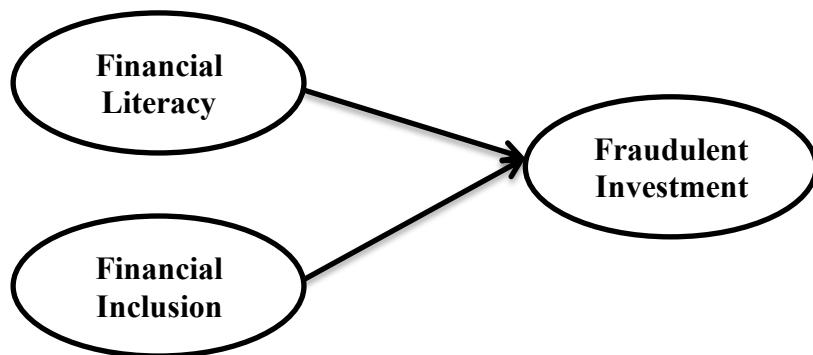
### **METHODS**

The type of research used is a quantitative method which is research with the aim of producing knowledge with data in the form of numbers to analyze matters related to the desired results. Data collection uses a questionnaire. The sampling technique used in this research was purposive sampling so that a research sample of 100 people was

obtained. Next, the data was processed and analyzed using multiple linear regression. The econometric model used is as follows:

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + e$$

Based on this econometric model, this research uses fraudulent investment as the dependent or dependent variable. Then, the financial literacy and financial inclusion variables are the independent variables. The conceptual framework of this research is described as follows:



**Figure 1. Conceptual Framework**

## RESULTS

### 1. Descriptive Analysis

**Table 1.**level of financial literacy

| No    | Financial literacy level   | Assess the level of financial literacy | Frequency | Percentage |
|-------|----------------------------|--|-----------|------------|
| 1     | <i>Well literate</i>       | 75-100                                 | 52        | 52%        |
| 2     | <i>Sufficient Literate</i> | 50-74                                  | 47        | 47%        |
| 3     | <i>Less literate</i>       | 25-49                                  | 1         | 1%         |
| 4     | <i>Not literate</i>        | 0-24                                   | -         | -          |
| Total |                            |  | 100       | 100%       |

Primary data processing sources, 2023

Based on the calculations above, the level of financial literacy is obtained which is divided into: *Well literate* as many as 52 respondents or 52%, *Sufficient literate* as many as 47 respondents or 47% and respondents with less literate financial literacy levels as much as 1 or 1%.

## 2. Multiple Linear Regression Test

**Table 2. Multiple linear regression test results**

| Information         | Coefficient | t count | Sig. |
|---------------------|-------------|---------|------|
| (Constant)          | ,837        | ,616    | ,538 |
| Financial Literacy  | ,392        | 8,733   | ,000 |
| Financial inclusion | ,364        | 6,129   | ,000 |

Source: Data processed using SPSS V.26

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

$$Y = 0.837 + 0.392FL + 0.364FI + e$$

Based on the regression results, it is known that the constant coefficient value is positive at 0.837, meaning that if financial literacy and financial inclusion remain constant, prevention of fraudulent investments will be 0.837. Then, the financial literacy regression coefficient value is 0.392. It meansThe financial literacy variable has a positive influence on preventing fraudulent investments. This shows that every 1% increase in the financial literacy variable unit will affect the increase in prevention of fraudulent investments by 0.392. Furthermore,The financial inclusion regression coefficient value is 0.364. ArinyaFinancial inclusion has a positive influence on preventing fraudulent investments.

## 3. Partial Test (t Test)

**Table 3. Partial Test Results**

| Information         | Coefficient | t count | Sig. |
|---------------------|-------------|---------|------|
| (Constant)          | ,837        | ,616    | ,538 |
| Financial Literacy  | ,392        | 8,733   | ,000 |
| Financial inclusion | ,364        | 6,129   | ,000 |

Source: Data processed using SPSS V.2

Variable literacy finance influential in a way positive and significant in preventing fraudulent investments. This can be seen from the significance of financial literacy ( $X_1$ )  $0.00 < 0.05$  and the T table value =  $(\alpha/2; nk-1 = t(0.05/2; 100-$

$3-1) = (0.025;96) = 1.98498$ . This means that the calculated T value is greater than the T table  $(8.733 > 1.98498)$ . So from these results, the influence of financial literacy (X1) on preventing fraudulent investments is partially accepted.

The financial inclusion variable (X2) has a positive and significant effect on preventing fraudulent investment (Y). This can be seen from the significance of investment knowledge (X2)  $0.00 < 0.05$  and the T table value  $= (\alpha/2; nk-1 = t (0.05/2; 100-3-1) = (0.025;96) = 1.98498$ . So the calculated T value is greater than T table  $(6,129 > 1.98498)$ . These results show that there is an influence of financial inclusion (X2) on preventing fraudulent investment which is partially accepted.

#### 4. Simultaneous Test (F Test)

**Table 4. Simultaneous Test Results**

|            | Sum of Squares | Mean Square | F       | Sig.  |
|------------|----------------|-------------|---------|-------|
| Regression | 1478,792       | 739,396     | 162.142 | ,000b |
| Residual   | 775,232        | 4,560       |         |       |
| Total      | 2254.023       |             |         |       |

Source: Data processed using SPSS V.26

$F$  table value  $= f (k; nk)$ ,  $f = (2 ; 100-3)$ ,  $F$  table  $= (2;97) = 3.090$  with an error rate of 5%. Table 4.13 shows the calculated F value of 162.142 and the Ftable value is 3,090 so that the value of Fcount  $>$  Ftable or  $162.142 > 3,090$ . The significance level is  $0.000 < 0.05$ , meaning that financial literacy (X1) and financial inclusion (X2) simultaneously influence the prevention of fraudulent investments (Y) significantly.

#### 5. Coefficient of Determination Test (R2)

**Table 5. Coefficient of Determination**

| R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|----------|-------------------|----------------------------|
| .810a | ,656     | ,652              | 2,135                      |

Source: Data processed using SPSS V.26

The table shows an R square value of 0.656, meaning that the variables Financial Literacy (X1) and financial inclusion (X2) simultaneously influence purchasing decisions (Y) by 65.6%, while the remaining 34.4% is explained by other variables not discussed in this research.

## DISCUSSION

The results of this research show that partial or individual financial literacy has a positive influence on the variable preventing fraudulent investments. So if the value of the financial literacy unit increases, it will also increase prevention of fraudulent investments. This is caused by Financial literacy, where the indicators in this research are knowledge about basic finance, savings, insurance, investment and loans, is one of the things that can help prevent fraudulent investments and of course accuracy in choosing instruments and places to invest. The results of this research are in line with research conducted by Safitri and Nurmiaswari, (2019) and Safira and Dewi, (2019) that individual financial literacy is able to increase financial knowledge. Apart from that, legal investment is of course very important in increasing public awareness about crimes and criminal acts in the financial sector. In this research, OJK also hopes that universities, through lecturers and students, can provide service in the context of developing community financial literacy.

Furthermore, the results of this research show that the financial inclusion variable partially or individually has a positive influence on the variable preventing fraudulent investments. So if the unit value of the financial inclusion variable increases, it will also increase decisions to prevent fraudulent investments. This is because public access to financial institutions will make it easier to use the services of bank and non-bank financial institutions that are officially registered with the financial services authority. Access, knowledge and use of financial institutions can be felt equally by the community. The results of this research are in line with studies conducted by Ozili (2022); Sabri, Wijekoon, and Rahim (2020) that financial inclusion has a positive contribution to society, especially in terms of investment. Then this research was strengthened by a study conducted by Yuni, Revita (2021) that financial inclusion can improve people's welfare.

## CONCLUSION

The results of this research conclude that financial literacy has a positive and significant influence on preventing fraudulent investments, financial inclusion has a positive influence on preventing fraudulent investments and simultaneously financial literacy and financial inclusion have an influence on preventing fraudulent investments.

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