

THE INFLUENCE OF FINANCIAL LITERACY ON FINANCIAL INCLUSION: SOCIAL CAPITAL AS MEDIATING VARIABLE

Gracia F. Goenadi

Faculty of Business & Economics, Universitas Surabaya, Indonesia
Email: *Graciafebriana98@gmail.com*

Werner R. Murhadi

Faculty of Business & Economics, Universitas Surabaya, Indonesia
Email: *Werner@staff.ubaya.ac.id* (corresponding author)

Endang Ernawati

Faculty of Business & Economics, Universitas Surabaya, Indonesia
Email: *endangernawati@staff.ubaya.ac.id*

Received: January 2022; Accepted: April 2022; Available online: July 2022

Abstract

This study aims to examine how financial literacy affects financial inclusion through social capital mediation. This study uses 150 respondents who have experience, in the investment field in the Indonesian capital market. The independent variable in this study is financial literacy, using four dimensions: skill, behavior, knowledge, and attitude. The mediating variable is social capital using four dimensions (i.e., trust, bonding & bridging, and collective action). At the same time, the dependent variable in this study is financial inclusion, which has four dimensions (i.e., access, quality, usage, and welfare). The result of this research is that social capital has a significant positive effect on financial literacy and financial inclusion, but in this study, social capital has a partial mediating effect. The higher a person's financial literacy, the higher the social capital that person has. The higher a person's financial literacy, the higher the financial inclusion that person has. Our study result states that the higher a person's financial literacy, the higher the person's social capital. Besides, the higher a person's financial literacy, the higher the financial inclusion.

Keywords: *Behavioral Finance; Financial Literacy; Financial Inclusions; Social Capital.*

JEL Classification: G11, G41, G53

How to Cite: Goenadi, W. R., 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. doi: <http://dx.doi.org/10.24856/mem.v37i2.2738>.

INTRODUCTION

In investing, investors will be faced with risks and returns. In investing, investors will use the funds they currently have in the hope of getting a high return even though there are risks that investors must face. However, to make a decision, everyone can choose a less rational decision because of the influence of many things, one of which is behavioral financial factors or what is commonly called behavioral finance. One part of behavioral finance is related to the financial literacy of

the investors themselves. Financial literacy itself is an investor's understanding of financial products. High monetary education will goodly affect capital business sectors, particularly in non-industrial nations. Financial proficiency affected financial consideration, particularly among rustic families in Uganda (Bongomin et al., 2016). An investor who is financially literate will make sound investment decisions. Financial literacy is individual, where there are individuals who have high literacy, but some have low literacy.

However, as social beings that interact with each other, in further development, individuals with high literacy may influence individuals with low literacy. The interaction between parties with high and low literacy will form social capital in society.

Bourdieu and Coleman were the first to systematically incorporate social capital in 1972 and 1988, respectively (Häuberer, 2011). According to the fundamental concept presented, social capital is a resource inherent in social relationships. Individuals in social interactions can use these resources to pursue personal or communal objectives. Putnam, Burt, and Lin agreed on the core description, but their perspectives differ slightly (Häuberer, 2011). Bonding, bridging, and linking are three types of social capital that describe how people access resources. When community members associate with one another and work together to build networks among individuals who share specific features in common, such as ethnicity, area, family membership, neighbors, and close friends, social capital is bonding.

Meanwhile, social capital is created when people with similar geographical characteristics and equal ownership of authority, rights, and obligations form a network and collaborate (BPS, 2014). The third type of social capital is linking. When a community or community group has network relationships with other parties with greater authority or power, such as government agencies, educational institutions, health care institutions, political parties, police, and banking institutions, social capital is linked (BPS, 2014). Financial literacy between individuals with varying knowledge of financial products is transferred through social interactions. It is hoped that financial inclusion will occur in the community through this social interaction.

Financial literacy positively affects social capital, where varying literacy between individuals encourages them to

share experiences and knowledge about financial products. High social capital will encourage financial inclusion. Financial literacy does not directly influence financial inclusion in society but rather through moderating variables such as social capital found in poor communities (Bongomin et al., 2016). This result is also consistent with the findings of Saputra and Dewi (2017). They discovered that social capital is a bridge between financial literacy and financial inclusion but has no direct effect on financial inclusion. On the other hand, other studies contend that both financial literacy and social capital have an impact on financial inclusion. In this study, social capital is not a moderating variable but an independent variable (Al-Sarraf et al., 2018; Pulungan & Ndruru, 2019). In the meantime, another study is looking into whether social capital acts as a moderator between financial literacy and financial inclusion. The effect of financial literacy on financial inclusion is more negligible, according to this study than the effect of financial literacy on financial inclusion via social capital variables (Khaki & Sangmi, 2016; Marla & Dewi, 2017).

This research contributes through the use of social capital as a mediating variable. The research that has been done so far has included that the financial literacy variable will have a positive impact on financial inclusion. People who have high financial literacy will be able to access various available funding sources. In Indonesian society, which is communal and still has a high family culture, social capital is an asset for this nation. Through close collaboration and interaction between communities, they can share knowledge and information, including knowledge about financial products. (Filipek et al., 2019; Guan, 2020; Khan et al., 2022). With this tight interaction, they learn from each other and can use various funding sources to run their small business. This social capital is conducive when the COVID-19 pandemic is hitting Indonesia. This

research is what distinguishes this study from previous research.

Based on the explanation above, this study will look into the impact of financial literacy on financial inclusion through social capital as a medium. This study differs from the previous one in that it employs social capital, which has four dimensions: trust, bonding and bridging, and collective action (Bongomin et al., 2016). This study focuses on both new and experienced stock investors on the Indonesia Stock Exchange.

LITERATURE REVIEW

Behavioral finance studies how investors make judgments and choices in financial markets by including psychological elements to explain how investors' preferences and behavior (Altman, 2015). One of the goals of behavioral finance is to show how investors' cognitive errors and affective reactions can influence and modify price changes in the market. Behavioral finance theory is divided into two groups: trust-based and preference-based. Preference-based behavior finance examines when to trade and what to trade.

So far, research on financial behavior is still controversial and usually explains what is referred to as an anomaly in investor confidence and preferences (Altman, 2015). When making intuitive decisions in complex environments such as financial markets, people typically use a variety of psychologically heuristic mental shortcuts. Heuristic information processing can lead to systematic bias and deviation from rationality. An example of cognitive bias in financial assessment is anchoring or representativeness, where investors tend to rely on references from previous data when making financial forecasts. For this reason, in financial behavior, investors also need financial knowledge or financial literacy, which will influence the financial decisions that investors will take.

Financial Literacy

According to Cohen & Nelson (2011), financial literacy is associated with con-

sumers responsible for informing purchased products and understanding signed contracts; this includes knowledge, skills, and attitudes. Financial literacy is the understanding of basic economic and financial concepts and the ability to apply financial knowledge and skills to manage financial resources for financial well-being effectively (Hung et al., 2009). Financial literacy encompasses the knowledge, skills, attitudes, and behaviors required to make sound financial decisions and achieve personal financial well-being. Financial literacy goals can range from raising consumer and investor awareness, confidence, knowledge, and understanding of financial issues to making financial decisions (Lusardi, 2015). Based on the theories above, it is possible to conclude that financial literacy is a person's attitude and knowledge. Because of the clarification of the speculations above, it tends to be inferred that monetary proficiency is an individual's disposition and conduct in settling on informed decisions and settling on monetary choices in light of information and abilities in overseeing accounts for monetary prosperity. Financial education is conceptualized in light of the components of conduct, abilities, information, and demeanor (Atkinson & Messy, 2013; Bongomin et al., 2016; Kempson, 2009; Lusardi, 2015).

Behavior finance is a behavior related to financial applications. *Behavioral finance* is a discipline in which the interaction of various disciplines is embedded and continuously integrated so that the discussion is not isolated (Beatrice et al., 2021). Three angles influencing an individual's monetary practices are brain science, humanism, and money. Somebody who needs to concentrate on conducting finance should get brain research, social science, and money perspectives. Mentalities are excellent and terrible evaluative explanations for items, people, and occasions (Elizabeth et al., 2020). Perspectives have three principal parts: mental, emotional (sentiments), and conduct or

activity. An individual's monetary demeanor will help the person decide their perspectives and conduct in monetary issues, both as far as monetary administration, individual monetary planning, or how individual choices in regards to the type of speculation are to be taken. An individual's financial information will affect his monetary conduct (Istrilista, 2016; Robb & Woodyard, 2011). Financial information is the capacity to comprehend, dissect and oversee funds to settle on the proper monetary choices to keep away from monetary issues (Halim & Astuti, 2015; Istrilista, 2016). It is crucial to foster monetary abilities on the off chance of having financial information. The financial ability itself is a procedure for settling on choices in private monetary administration. Monetary abilities include setting up a spending plan, picking speculations, picking a protection plan, and utilizing credit.

Financial Inclusion

As per the Consultative Group to Assist the Poor/G-20 Global Partnership for Financial Inclusion (CGAP/GPFI), Financial inclusion is a term that alludes to a circumstance where all grown-ups of working age have satisfactory admittance to monetary administrations given by formal monetary establishments as credit, investment funds (counting current records), installments, and protection (Saputra & Dewi, 2017). In The Financial Action Task Forces, monetary incorporation is characterized as giving admittance to satisfactory, protected, advantageous, and reasonable monetary organizations for monetary administrations for distraught, weak gatherings, including low-pay networks. These provincial and undocumented individuals have been underserved or avoided from the formal monetary area (Saputra and Dewi, 2017). Financial inclusion is a process of accessing the shared, responsive, and fulfill access to multiple controlled financial services and extending their use to all parts

of society by using current and unique approaches (Saputra and Dewi, 2017). Financial inclusion was assessed using the dimensions proposed by previous researchers who proposed reliable and valid dimensions for financial inclusion studies (Bongomin et al., 2016; Lee et al., 2020). To measure financial inclusion in the study, these dimensions of ease of access, quality, utilization, and enjoyment were adapted.

In Bankable Frontier Associates, access connects with utilizing monetary administrations and items accessible from formal establishments (Buckley & Malady, 2015). This degree of comprehension for access might require understanding and examination of common hindrances to opening and utilizing a financial balance for any reason. For example, the expense and actual closeness of the bank's administration focuses (branches, ATMs). The essential intermediary for access can be obtained by ascertaining the number of open records at a monetary foundation and assessing the extent of the populace with accounts. Information in access is typically acquired through data given by monetary establishments. As indicated by (Cámara & Tuesta, 2017), admittance to formal monetary administrations addresses the opportunities for people to utilize them. There are three key pointers to fabricate access aspects with supply-side information at the nation level: programmed teller machines (ATMs), business bank offices, and banking specialists.

According to Bankable Frontier Associates (2010), Quality is used to assess the importance of financial services or products to the lifestyle needs of consumers; quality includes consumer experiences as evidenced by attitudes and opinions toward available products. Quality will be used to evaluate the relationship between financial service providers and consumers, the options available, and the level of understanding of these choices and their implications by the service provider. The regulatory framework for client safety and

consumer protection in financial services appears adequate. This research was confirmed by the service provider, who pointed out that clients are generally satisfied with the policies and regulations that require the provider to follow legal procedures. While providing high-quality products, in some cases, it also leads to higher rates due to increased overhead costs.

Social Capital

Individual sacrifice (time, energy, and consumption) made to increase cooperation with others is social capital (Saputra & Dewi, 2017). Social capital refers to the feelings of solidarity, self-confidence, and ease of doing business that result from social relationships with family, friends, coworkers, and others (Saputra & Dewi, 2017). The dimensions of trust, bonding, bridging, and collective action are used to calculate social capital (Bongomin et al., 2016).

As an institutional product of philosophical pragmatism, this type of reflexivity promoted response to needs identified by various collective action disciplines and enabled experimental leadership (Six et al., 2015). Rational Action Theory (RAT) became the primary paradigm in collective action research due to the development of the game of theory, and the problem of horseback riding reveals itself as a challenging core. The scope of collective action-reflection includes history, culture, and normatively. Through contextualization, the neo-institutional paradigm builds essential bridges between social and economic disciplines and actors' conceptions and motivations. As a result, the new institutionalism recognizes that oversimplifying the motivating determinants of collective action leads to poor policymaking.

Social capital bonding refers to strong bonds between people who know each other well, such as family members, close friends, neighbors, and members of primary groups (Babaei et al., 2012).

Bonding brings together people who are similar in socioeconomic status and demographic characteristics: the groups defined by this relationship are highly homogeneous. The literature recognizes bonding social capital's dual role in creating a shared identity and personal reputation, local mutual development, special trust, and providing emotional closeness, social support, and crisis assistance. Meanwhile, social capital bonding is limited to outsiders, bridging inclusive bonds, cutting ethnic, caste, racial, cultural, and other social divisions. Such ties engender a high degree of solidarity within the group structure, effectively mobilizing individuals and resources around a common goal. Bonding social capital (e.g., family structure) is also a foundation for bridging and linking ties with other groups. Social capital bonding is helpful for "survival," Bonding has positive aspects but has a high potential for negative externalities. The potential negative externalities commonly associated with social capital bonding are the social capital losses (i.e., harm to individuals within the group, exclusion of outsiders, and other negative externalities). The worst (anti-social) outcome of social capital was associated with bonding being taken to the extreme, particularly in the absence of relationship bridging.

The concept of trust at stake in the social capital paradigm appears to rely solely on neoliberal societal formation values (Six et al., 2015); trust is nothing more than the encapsulation of self-interest. "I trust you because I believe it is in your best interests to take my interests in relevant matters seriously in the following sense: you value the continuation of our relationship, so you have a vested interest in considering mine," he said (Hardin, 2002). This proposition is entirely consistent with the social capital paradigm. Hardin claims that norms foster trust because citizens understand that social costs will be borne if they do not respect

one another; thus, it is a matter of public control.

The Effect of Financial Literacy on Social Capital

Social capital can have a positive impact on educational outcomes and economic development (Bongomin et al., 2016). The source of knowledge and identity that is brought to the interaction of society individually and collectively is the source of available social capital (Bongomin et al., 2016). Social capital is the subset of resources used to achieve the desired goal in each specific interaction that contributes to the common goal. Poor households participating in the association network can improve their financial knowledge and skills, allowing them to make sound financial decisions and choices (Bongomin et al., 2016). People with high financial literacy will be more confident in carrying out social interactions (Khan et al., 2022). The impact of financial literacy on financial inclusion increases when social capital is used as a mediating variable, implying that the impact of financial literacy on financial inclusion is maximized when social capital is used as a mediating variable (Saputra & Dewi, 2017). The following hypothesis was developed based on the explanation.

H1: Financial literacy is beneficial to social capital.

The Effect of Financial Literacy on Financial Inclusion.

Financial literacy can aid in the improvement of the efficiency and quality of financial services (Bongomin et al., 2016). Financial literacy facilitates access to and encourages the widespread use of financial products and services relevant to poor people's interests. Financial literacy can help the unbanked understand mainstream financial services and encourage them to avoid subpar services. Financial literacy empowers and educates the public to gain a broader understanding of and evaluate various financial products

and services to make informed financial decisions that maximize utility. Financial learning can improve financial knowledge while influencing financial decisions, choices, attitudes, and behavior (Bongomin et al., 2016). Another study states that the higher the knowledge about financial literacy, the higher the knowledge about financial inclusion so that people with high financial literacy can better access existing funding sources. (Guan, 2020; Nuryani & Israfiani, 2021). The following hypothesis was developed based on the explanation.

H2: Financial literacy has a positive effect on financial inclusion

The Influence of Social Capital Mediates the Relationship between Financial Literacy and Financial Inclusion

Previous research has shown that social capital creates information channels, facilitates transactions, and reduces access to financial services such as credit (Bongomin et al., 2016). Through peer pressure mechanisms, social capital informs networks, and trust reduces opportunistic behavior among the poor, preventing problems from occurring. Poor people's social capital informs us that trusts and networks serve as a substitute for the lack of physical guarantees that allow access to financial services (Bongomin et al., 2016). Social capital as a value shared between its members in society allows for cooperation. This social capital will make people learn from each other to be able to enjoy existing financial services (Filipek et al., 2019; Nuryani & Israfiani, 2021). Research by Khan et al., (2022) states that financial literacy combined with social capital as moderation will have an impact on financial inclusion.

Social capital facilitates financial education in knowledge and skills through network interactions, which is critical for increasing financial inclusion (Saputra & Dewi, 2017). As a driver of financial literacy, social capital plays an essential role in mediating and increasing various resources, including knowledge and skills

acquired by the community. Financial literacy and financial inclusion can gradually increase if social capital is built as a dimension of values, culture, perceptions, institutions, and mechanisms in positive activities to empower people's perspectives (Pulungan & Ndruru, 2019). Social capital mediates the relationship between social intermediation and access to financial services to some extent (Saputra & Dewi, 2017). The following hypothesis was developed based on the explanation.

H3: Financial literacy and financial inclusion are mediated by social capital.

Research Framework

The research framework depicted in Figure 1 is based on hypothesis development.

RESEARCH METHODS

This study collected primary data by distributing questionnaires to Indonesian stock investors. As for the respondents are as many as 150 respondents. The data collection technique used in this research is non-probability sampling with purposive sampling. Determination of the number of samples according to the criteria of Hair et al. (2018) where if the model uses less than five constructs, then the minimum number of respondents collected is 100 people, with sample criteria above 17 years and have made investments both beginners and experienced. The independent variable in this study is financial literacy, using four dimensions; namely, skills, behavior, knowledge, and attitude, adapted to measure financial literacy in research. A person's attitude and behavior in making informed judgments and decisions based on knowledge and skills in managing financial well-being are financial literacy.

The mediating variable is social capital, measured in four dimensions: trust, bonding and bridging, and collective

action. The concept of trust at stake in the social capital paradigm appears to solely depend on neoliberal values of social formation (Six et al., 2015). Social capital refers to solid bonds formed by well-acquainted people, such as family members, close friends, neighbors, and primary groups. Bonding brings together people who are similar in socioeconomic status and demographic characteristics: the groups defined by this relationship are highly homogeneous. Social capital bridging refers to looser ties between people who are not demographically equal but have broadly similar financial status and power. Bridging relationships usually include friends, co-workers, and members of secondary associations. Collective action is part of social capital, which refers to collective action resulting from social interaction.

Simultaneously, the dependent variable in this study is financial inclusion, which has four dimensions, namely access, quality, usage, and welfare, and which has been adapted to measure financial inclusion in the study. Individuals can use financial services if they have access to formal financial services (Cámara & Tuesta, 2017). Quality is used to assess the relevance of financial services or products to consumers' lifestyle needs; quality includes consumer experiences, as demonstrated by attitudes and opinions toward available products. Consumers consider using various products to assess the level of usage of formal financial services by individuals (Cámara & Tuesta, 2017). Meanwhile, welfare shows that the use of financial facilities can provide benefits for increasing the welfare of consumers.

This study's data processing employs the SEM (structural equation modeling) analysis method, aided by AMOS software.

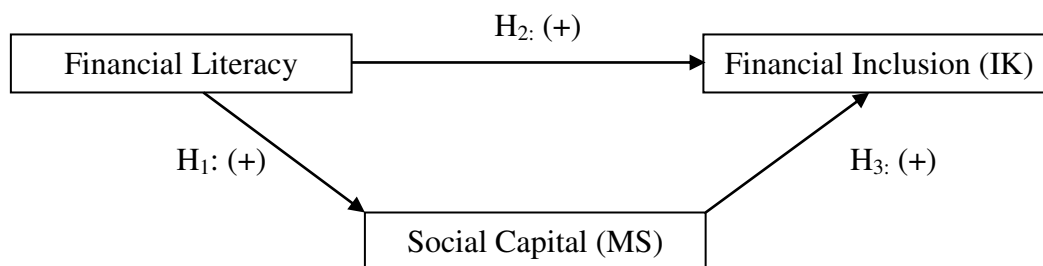


Figure 1. Research Framework

RESULT AND DISCUSSION

Result

This study uses data from the distribution of questionnaires to up to 150 respondents. Table 1 displays the descriptive statistics of the respondents. According to Table 1, the majority of respondents are of productive age (22-40 years), live in urban areas, have undergraduate education, work not related to finance, have fewer than three years of investment experience, have an income of less than \$5 million, and have received formal education in finance.

Based on the respondent's data according to age, it can be seen that most of the respondents' ages obtained are respondents with ages between 22 to 40 years, and it can be said that respondents under 22 years of age are relatively few compared to other age respondents. Based on the respondent's data by gender, it can be seen that there are more male respondents (52%) than female respondents (48%). Based on respondents' data by place of residence, it can be seen that more respondents live in provincial capital cities (cities) than respondents who live in non-capital cities (villages). Based on the respondent's data according to the latest education level, it can be seen that most respondents are respondents with the latest education Diploma-Bachelor S1. Based on the respondent's data according to the latest education level, it can be seen that the majority of respondents are respondents who work in non-financial institutions compared to respondents who work related to financial institutions. Based on respondents' data according to the length of time respondents invest in the stock market, it

can be seen that the majority of respondents are respondents who invest less than three years compared to respondents who have invested more than three years. Based on the respondent's data according to the average monthly income, it can be seen that most respondents are those who have an average monthly income of less than Rp. 5,000,000. Based on respondents' data according to formal education in finance, it can be seen that respondents who have received formal education in finance are more than respondents who have never received formal education in finance.

The SPSS version 24.0 software was used to conduct the reliability test. All indicators are reliability variables because their Cronbach Alpha value is greater than 0.6. Each variable's validity is tested because it meets a significance level of 5%. A good fit index was calculated for all 150 respondents' data. The model fit test was performed on two models: the measurement model and the structural model. The measurement model is constructed by linking the dependent variable, namely financial inclusion, with several dimensions.

Table 2 displays the results of the model fit test for the measurement model; five indicators, namely chi-square, RMSEA, CMIN/DF, TLI, and CFI, have good fit information or meet the criteria. Furthermore, GFI and AGFI meet the marginal fit criteria, while the measurement model fit meets the good fit criteria.

The structural model was tested further. The dependent variable, financial inclusion, will be linked to the independent variable, financial literacy, and how it is

related through the mediating variable, social capital, to see the effect of these three variables in the structural model.

Table 3 displays the results of the structural model's model fit test; five indicators have good fit information or meet the criteria, namely chi-square, RMSEA, CMIN/DF, TLI, and CFI. Furthermore, GFI and AGFI meet the marginal fit criteria, while the measurement model fit meets the good fit criteria. According to Hair et al. (2014: 583), the fulfillment of good fit index criteria consists of at least three to four indicators that meet the criteria. The tests for the two models, namely the measurement model and the structural model, show that 11 indicators meet the criteria of a good fit, and two indicators meet the criteria of marginal fit. This result indicates that the research is sound and that the hypothesis can be tested further.

Hypothesis testing was conducted to see the effect of financial literacy on financial inclusion. This test was carried

out with the help of AMOS 26.0 software which tested three hypotheses in this study. The standard of assessment in this hypothesis test is seen from the probability value (p); the level of significance in this study is p 0.05 for significance at the 5% level.

Table 4 shows that the hypotheses H1, H2, H3 can be accepted because they have the same direction of influence as the study results and have a significant value above 5%. It is necessary to test mediation that will be assisted by using AMOS software. Based on Table 4, the significance of the direct and indirect relationship of financial literacy variables on financial inclusion shows that mediation is partially supported. These results indicate that financial literacy will positively impact people's ability to access financial services from financial institutions. Meanwhile, the study results also show that financial literacy through social capital mediation also has a positive effect on people's ability to access financial services.

Table 1. Respondent Descriptive Statistics

No	Category	Criteria	Total	%
1	Respondent Age	< 22	22	15%
		22-40	104	69%
		> 40	24	16%
2	Sex	Male	78	52%
		Female	72	48%
3	Residence	Urban Area	114	76%
		Rural Area	36	24%
4	Pendidikan	Senior high school/lower	19	13%
		Diploma-undergraduate	117	78%
		Graduate	14	9%
5	Job	Related to financial institution	54	36%
		non-financial institution	96	64%
6	Investment Experience	< 3 year	89	59%
		≥ 3 year	61	41%
7	Income	< IDR 5,000,000	72	48%
		5,000,000 - 10,000,000	54	36%
		> IDR 10,000,000	24	16%
8	Get form education in finance	Yes	106	71%
		No	44	29%

Table 2. Measurement Model Test

Fit Indicator	Criteria	Result	Description
<i>Chi-square</i>	Small Expected	389.586	<i>Good Fit</i>
RMSEA	≤ 0.08	0.000	<i>Good Fit</i>
GFI	≥ 0.90	0.858	<i>Marginal Fit</i>
AGFI	≥ 0.90	0.838	<i>Marginal Fit</i>
CMIN/DF	≤ 2	0.845	<i>Good Fit</i>
TLI	≥ 0.95	1.068	<i>Good Fit</i>
CFI	≥ 0.95	1.000	<i>Good Fit</i>
<i>Measurement Model Fit</i>	CR CR ≥ 0.60	Financial Literacy	0.828 <i>Good Fit</i>
		Social capital	0.846 <i>Good Fit</i>
		Financial Inclusion	0.843 <i>Good Fit</i>
	AVE AVE ≥ 0.30	Financial Literacy	0.326 <i>Good Fit</i>
		Social Capital	0.361 <i>Good Fit</i>
		Financial Inclusion	0.312 <i>Good Fit</i>

Table 3. Structural Model Test

Fit Indicator	Criteria	Result	Description
<i>Chi-square</i>	Small Expected	389.586	<i>Good Fit</i>
RMSEA	≤ 0.08	0.000	<i>Good Fit</i>
GFI	≥ 0.90	0.858	<i>Marginal Fit</i>
AGFI	≥ 0.90	0.838	<i>Marginal Fit</i>
CMIN/DF	≤ 2	0.845	<i>Good Fit</i>
TLI	≥ 0.95	1.068	<i>Good Fit</i>
CFI	≥ 0.95	1.000	<i>Good Fit</i>
<i>Measurement Model Fit</i>	CR CR ≥ 0.60	Financial Literacy	0.828 <i>Good Fit</i>
		Social capital	0.846 <i>Good Fit</i>
		Financial Inclusion	0.843 <i>Good Fit</i>
	AVE AVE ≥ 0.30	Financial Literacy	0.326 <i>Good Fit</i>
		Social capital	0.361 <i>Good Fit</i>
		Financial Inclusion	0.312 <i>Good Fit</i>

Table 4. Hypothesis Test Result

	Estimate	p	Hypothesis
Financial Literacy → Social Capital	0.769***	0.000	H1 Accepted
Financial Literacy → Financial Inclusion	0.503**	0.003	H2 Accepted
Social Capital → Financial Inclusion	0.305**	0.042	H3 Accepted
Financial Literacy → Social Capital → Financial Inclusion	Partial mediation		

Table 5. Mediation Test Result

Direct/Indirect Effect	Standardized Estimate	P-Value
<i>Direct Effect</i>		
Financial Literacy → Fin. Inclusion	0.738***	0.000
<i>Indirect Effect</i>		
Financial Literacy → Social Capital	0.769***	0.000
Social Capital → Financial Inclusion	0.305**	0.042
Financial Literacy → Financial Inclusion	0.503**	0.003

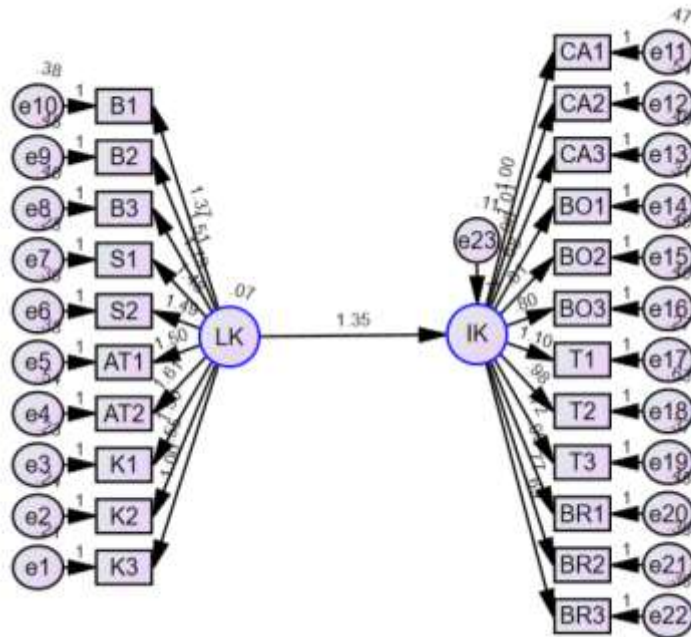


Figure 2. Direct Effect

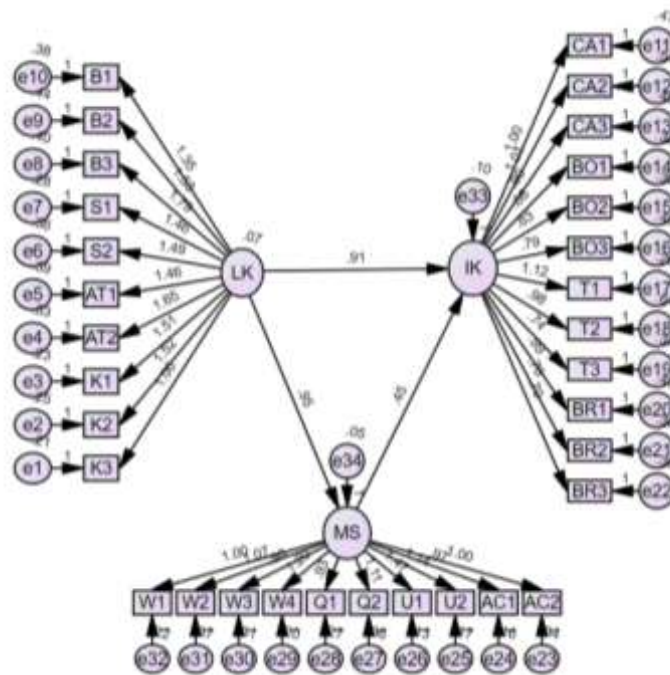


Figure 3. Indirect Effect

Discussion

From the results obtained from the questionnaire, it can be seen that most of the respondents have the latest education, namely Diploma/undergraduate, and have education in finance. This result proves that if someone has high financial literacy (knowledge and skills), they tend to have high social capital, such as being polite in their community (trust), also not reluctant to share information (collective action) and share ideas and thoughts or ability (bridging) in the community. This finding is consistent with previous research on the importance of social capital in financial literacy. (Bongomin et al., 2016; Falk & Kilpatrick, 2000; Nahapiet & Ghoshal, 1998). According to Falk and Kilpatrick (2000), available social capital is found in the source of knowledge and the source of identity brought to society's interaction, both individually and collectively. Based on these findings, it can be concluded that financial literacy will assist the community in creating more social capital. A well-educated community will exert influence in their surroundings, allowing them to assist their neighbors in achieving financial independence and avoiding investment fraud activities. Based on these findings, it can be concluded that financial literacy will assist the community in creating more social capital. A well-educated community will exert influence in their surroundings, allowing them to assist their neighbors in achieving financial independence and avoiding investment fraud activities.

According to the results obtained from the questionnaire, most respondents agree that respondents have the accurate ability to determine the benefits of transactions (skills) and can take advantage of financial products/services; therefore, respondents (knowledge) also agree that the products/services provided by securities companies can increase income, increase access to utilities, and increase access to facilities (welfare). Financial literacy empowers and educates the public to gain a broader understanding of and evaluate

various financial products and services to make informed financial decisions that maximize utility (Bongomin et al., 2016; Lusardi, 2009). Financial learning can increase financial knowledge and influence people's financial decisions, choices, attitudes, and behavior (Bongomin et al., 2016; Campbell, 2006). Based on these findings, it can be concluded that financial literacy will assist the general public in evaluating various financial products and services to maximize utility while avoiding investment fraud, which is prevalent in the community. It is hoped that with good financial literacy, the community will be able to use various financial facilities according to their needs, rather than being tempted by inappropriate investment offers.

According to the results obtained from the questionnaire, most of the respondents agreed that they always share information with other community members and want to provide valuable things in the community (collective action). This share information can increase the knowledge and skills of respondents and their community in managing finances. It can provide convenience in quickly reaching financial products and services, such as obtaining investment products/services that suit their needs and are relatively safe to use (quality). From these results, it can be interpreted that the existing social capital in the community will encourage the growth of financial inclusion. Strong community cohesion will make them learn from each other and influence each other, including family finance. The public will inform each other of various financial products that are accessible and follow the needs of their respective families.

This finding is consistent with the findings of Pulungan and Ndruru (2019), who found that social capital plays an essential role in mediating and increasing various resources, including knowledge and skills acquired by the community as a result of financial literacy activities. This result implies that financial literacy and

financial inclusion can gradually increase if social capital as a dimension is built on values, culture, perceptions, institutions, and mechanisms in positive activities as a means of empowering people's views, so it can be concluded that financial literacy and social capital influence financial inclusion.

CONCLUSION AND RECOMMENDATION

Conclusion

According to the data processing and hypothesis testing findings, the independent variable, financial literacy, had a significant positive effect on the mediating variable, social capital, for both novice and experienced stock investors in Indonesia. Furthermore, the independent variable of financial literacy has a significant positive effect on the dependent variable, namely financial inclusion for novice and experienced Indonesian stock investors. Although social capital has a significant positive effect on the relationship between independent financial literacy and the dependent variable of financial inclusion on beginner and experienced stock investors in Indonesia, it only has a partial mediating effect in this study. The greater a person's financial literacy, the greater his or her social capital. The greater a person's financial literacy, the greater his or her financial inclusion. This research has practical implications for financial institutions, where financial literacy education and approaches to community groups are needed to improve financial services to all levels of society. Financial institutions can conduct education through similar small and medium-sized business groups periodically so that they understand various kinds of financial products and can invite other people to avoid illegal financial products.

Limitations & Recommendation

This study can be used as a resource and consideration for investors and future researchers. It is hoped that investors will

recognize the importance of knowledge and social capital in selecting suitable investment options based on the criteria to avoid losses. It is hoped that this research will provide additional insight, understanding, and knowledge about the effect of financial literacy (measured by behavior, attitude, skill, knowledge) on financial inclusion (measured by welfare, usage, quality, access) through social capital mediation (measured by collective action, bonding, trust, bridging) for novice and experienced stock investors in Indonesia for future researchers.

The limitations of this study include a lack of responses from respondents and the distribution of questionnaires via social media, which means that some questions may be missed or misunderstood by respondents. It is hoped that future researchers will collect more respondents to avoid data imbalances like the one found in this study. It is best not to distribute the questionnaire online but rather to meet in person or conduct an interview to avoid misunderstandings.

REFERENCES

- Al-Sarraf, J., Irani, Z., & Weerakkody, V. (2018). The role of social capital in promoting financial literacy and financial. *The British Academy of Management (BAM)*, 27(1), 17–40.
- Altman, M. (2015). *Handbook of contemporary behavioral economics: foundations and developments*. Routledge.
- Atkinson, A., & Messy, F.-A. (2013). *Promoting financial inclusion through financial education: OECD/INFE evidence, policies and practice*.
- Babaei, H., Ahmad, N., & Gill, S. S. (2012). Bonding, bridging, and linking social capital and psychological empowerment among squatter settlements in Tehran, Iran. *Journal of Basic and Applied Scientific Research*, 2(3), 2639–2645.

- Bankable Frontier Associates. (2010). *Financial inclusion measurement for regulators: Survey design and implementation* (Alliance for Financial Inclusion (AFI) Policy Paper).
- Beatrice, V., Murhadi, W. R., & Herlambang, A. (2021). The effect of demographic factors on behavioral biases. *Jurnal Siasat Bisnis*, 25(1), 17–29. <https://doi.org/10.20885/jsb.vol25.iss1.art2>
- Bongomin, G. O. C., Ntayi, J. M., Munene, J. C., & Nabeta, I. N. (2016). Social capital: mediator of financial literacy and financial inclusion in rural Uganda. *Review of International Business and Strategy*, 26(2), 291–312. <https://doi.org/10.1108/RIBS-06-2014-0072>
- BPS. (2014). *Statistics of Social Capital*. Badan Pusat Statistik.
- Buckley, R. P., & Malady, L. (2015). Building consumer demand for digital financial services—the new regulatory frontier. *Journal of Financial Perspectives*, 3(3). <https://ideas.repec.org/a/ris/jofipe/0091.html>
- Cámara, N., & Tuesta, D. (2017). DiGiX: the digitization index. In *BBVA Bank, Economic Research Department* (17/03). [https://afyonluoglu.org/PublicWebFiles/Reports/2017 BBVA-Digitization Index.pdf](https://afyonluoglu.org/PublicWebFiles/Reports/2017%20BBVA-Digitization%20Index.pdf)
- Campbell, J. Y. (2006). Household finance. *The Journal of Finance*, 61(4), 1553–1604. <https://doi.org/10.1111/j.1540-6261.2006.00883.x>
- Cohen, M., & Nelson, C. (2011). Financial literacy: A step for clients towards financial inclusion. *Global Micro-credit Summit*, 14–17.
- Elizabeth, J., Murhadi, W. R., & Sutejo, B. S. (2020). Investor Behavioral Bias Based on Demographic Characteristics. In *Proceedings of the 17 th International Symposium on Management (INSYMA 2020)*. Atlantis Press. <https://doi.org/10.2991/aebmr.k.200127.002>
- Falk, I., & Kilpatrick, S. (2000). What is social capital? A study of interaction in a rural community. *Sociologia Ruralis*, 40(1), 87–110. <https://doi.org/10.1111/1467-9523.00133>
- Filipek, K., Cwynar, A., & Cwynar, W. (2019). Does social capital influence debt literacy? The case of Facebook users in Poland. *Prague Economic Papers*, 2019(5), 567–588. <https://doi.org/10.18267/j.pep.721>
- Guan, Z. (2020). Social Capital, Financial Literacy and Lending Behaviour of Farmers with Different Incomes--Evidence Based on CHFS 2015 Data. *Proceedings of Business and Economic Studies*, 3(5). <https://doi.org/10.26689/pbes.v3i5.1527>
- Hair, J. F., Babin, B. J., Anderson, R. E., & Black, W. C. (2018). *Multivariate Data Analysis* (8th ed.). Cengage Learning.
- Halim, Y. K. E., & Astuti, D. (2015). Financial Stressors, Financial Behavior, Risk Tolerance, Financial Solvency, Financial Knowledge, dan Kepuasan Finansial. *Jurnal Finesta*, 3(1), 19–23.
- Hardin, R. (2002). *Trust and trustworthiness*. Russell Sage Foundation.
- Häuberer, J. (2011). *Social capital theory*. Springer.
- Hung, A., Parker, A. M., & Yoong, J. (2009). *Defining and measuring financial literacy*. RAND Working Paper Series WR-708. <https://dx.doi.org/10.2139/ssrn.1498674>
- Istrilista, T. M. (2016). Pengaruh pendapatan dan pengetahuan keuangan terhadap perencanaan keuangan keluarga di surabaya. *Journal of Business and Banking*, 1(1), 1–17. <http://eprints.perbanas.ac.id/id/eprint/390>

- Kempson, E. (2009). *Framework for the development of financial literacy baseline surveys: A first international comparative analysis* (OECD Working Papers on Finance, Insurance and Private Pensions). OECD. <https://doi.org/10.1787/5kmdpz7m9zq-en>
- Khaki, A., & Sangmi, M.-D. (2016). Financial inclusion & social capital: a case study of SGSY beneficiaries in Kashmir Valley. *Khaki, AR, & Sangmi, M.(2016). Financial Inclusion & Social Capital A Case Study of SGSY Beneficiaries in Kashmir Valley. Independent Journal of Management & Production, 7(4), 1005–1033.* <https://doi.org/10.14807/ijmp.v7i4.424>
- Khan, F., Siddiqui, M. A., & Imtiaz, S. (2022). Role of financial literacy in achieving financial inclusion: A review, synthesis and research agenda. *Cogent Business & Management, 9(1), 2034236.* <https://doi.org/10.1080/23311975.2022.2034236>
- Lee, C.-C., Wang, C.-W., & Ho, S.-J. (2020). Financial inclusion, financial innovation, and firms' sales growth. *International Review of Economics & Finance, 66, 189–205.* <https://doi.org/10.1016/j.iref.2019.11.021>
- Lusardi, A. (2015). Financial literacy skills for the 21st century: Evidence from PISA. *Journal of Consumer Affairs, 49(3), 639–659.*
- Marla, P. G., & Dewi, A. S. (2017). Peran Modal Sosial Sebagai Mediator Literasi Keuangan dan Inklusi Keuangan pada Usia Produktif di Kota Bandung. *Sosiohumanitas, 19(2), 92–103.* <https://doi.org/10.36555/sosiohumanitas.v19i2.98>
- Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review, 23(2), 242–266.* <https://doi.org/10.2307/259373>
- Nuryani, H. S., & Israfiani, R. (2021). Pengaruh Literasi Keuangan dan Modal Sosial terhadap Inklusi Keuangan Masyarakat Usia Produktif di Sumbawa Indonesia. *Jurnal Manajemen Dan Bisnis, 4(2), 35–42.* <https://doi.org/10.33395/remik.v4i2>
- Pulungan, D. R., & Ndruru, A. (2019). Pengaruh Literasi Keuangan dan Modal Sosial terhadap Inklusi Keuangan Mahasiswa. *Seminar Nasional & Call For Paper Seminar Bisnis Magister Manajemen. “Membangun Ekonomi Kreatif Yang Berdaya Saing, 132–142.*
- Robb, C. A., & Woodyard, A. S. (2011). Financial knowledge and best practice behavior. *Journal of Financial Counseling and Planning, 22(1), 60–70.*
- Saputra, R. S., & Dewi, A. S. (2017). Peran Modal Sosial Sebagai Mediator Literasi Keuangan Dan Inklusi Keuangan Pada Kaum Muda Di Indonesia (Studi Kasus Pada Komunitas Investor Saham Pemula). *Jurnal Manajemen Teori Dan Terapan, 10(3), 243–257.* <https://doi.org/10.20473/jmtt.v10i3.3064>
- Six, B., Van Zimmeren, E., Popa, F., & Frison, C. (2015). Trust and social capital in the design and evolution of institutions for collective action. *International Journal of the Commons, 9(1), 151–176.* <https://doi.org/10.18352/ijc.435>