

## ANALYSIS THE EFFECT OF FINANCIAL LITERACY, FINANCIAL TECHNOLOGY AND SOCIAL CAPITAL ON FINANCIAL ICLUSION IN MALANG CITY

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### ABSTRACT

This study aims to determine the effect of financial literacy, financial technology and social capital on financial inclusion in the people of Malang City, East Java Province, Indonesia. This research is a research with a quantitative approach. This study uses primary data. The population in this study is the people of Malang City who use fintech products of the e-wallet type. The sampling technique used purposive sampling with a sample of 150 respondents. To test financial literacy, financial technology and social capital on financial inclusion using Partial Least Square (PLS) version 4.0. The results showed that financial literacy had a positive and significant effect on the financial inclusion of the people of Malang City, financial technology had a positive and significant effect on the financial inclusion of the people of Malang City, and social capital had a positive and significant effect on the financial inclusion of the people of Malang City.

**Keywords:** Financial Technology, Financial Inclusion, Financial Literacy, Sosial Capital

### INTRODUCTION

Financial inclusion plays an important role in building an inclusive and sustainable economy, as well as improving people's welfare and financial stability. In an effort to equalize economic development and encourage economic growth, the government established the National Financial Inclusion Strategy or SNKI. The National Strategy for Inclusive Finance is regulated in Presidential Regulation Number 82 of 2016 which was later reissued in Presidential Regulation Number 114 of 2020 which contains the objectives of the SNKI, namely to support a stable financial system, encourage economic growth, accelerate poverty alleviation, and reduce disparities between individuals and between regions.

The achievement of this SNKI can be seen from the high financial inclusion index. According to the Financial Services Authority (2016) the financial inclusion index is the percentage of adults who reach and use formal financial products and services. In this case, OJK conducted a National Survey of Financial Literacy and Financial Inclusion (SNLIK). Through the SNLIK results, it contains information related to the financial inclusion index and the financial literacy index.

**Table 1.** National Financial Inclusion Index

Years	National Financial Inclusion Index
2016	67,80%
2019	76,19%
2022	85,10%

Source: OJK's SNLIK, 2022

Based on the 2022 SNLIK results, it was noted that the national financial inclusion index in 2022 reached 85.10 percent, an increase compared to the previous period in 2019, which was 76.19 percent. OJK's focus in 2023 is to set targets for increasing financial inclusion, namely the women's segment, students, MSMEs, people in rural areas and the sharia financial services sector.

According to the Ministry of National Finance (2021) financial inclusion is defined as a condition or situation where every member of the public has access to various quality formal financial services in a timely, safe and smooth manner according to their needs and abilities with the aim of increasing community welfare. In order for the whole community to be able to access and reach financial services properly, good knowledge and understanding of various financial service products and financial institutions is needed. This is in line with research by Sari & Kautsar (2020) that achieving financial inclusion is influenced by a person's level of understanding and financial management skills to be able to access financial service products, where financial literacy plays an important role in achieving financial inclusion.

Another factor that can increase financial inclusion according to Shen, Yan et al (2019) is that in order to achieve financial inclusion, policy makers can increase the financial literacy of their communities and increase the use of digital financial products. The Covid-19 pandemic, which began to develop in early 2020, has become one of the driving factors for accelerating digital financial transformation. According to Marginingsih (2021) the financial technology sector has an important role to help people who have not yet reached access to formal financial services to carry out transaction activities according to their needs. The development of fintech in terms of digital transactions also supports the program presented by Bank Indonesia regarding the National Non-Cash Movement (GNNT). Bank Indonesia noted that the value of electronic money transactions in March 2023 increased by 13.79 percent compared to the previous month and reached IDR 143.71 trillion.

Another research conducted by Yoga & Handayani (2021) revealed that the factors that influence financial inclusion are fintech and social capital factors. Social capital can build public awareness of available products and services, as well as encourage participation in financial programs and help build trust between individuals and financial institutions. This enables individuals to access relevant information regarding formal financial products and services and helps individuals who do not yet have the knowledge and experience to better understand and use available financial services.

**Table 2.** Index of Financial Literacy and Financial Inclusion in East Java and Malang City in 2022

	Indeks Literasi Keuangan	Indeks Inklusi Keuangan
National	49,68 %	85,10%
East Java	55,32%	92,99%
Malang City	69,43 %	90,67%

Source: OJK, 2022

The 2022 SNLIK results note that the financial inclusion index for East Java Province is 92.99 percent, this means that the financial inclusion index in East Java Province is higher than the national financial inclusion index. Meanwhile, the financial literacy index for East Java Province is 55.32 percent, which is also higher than the national financial literacy index. Based on the survey results, Malang City is the region with the highest national financial literacy index with an index reaching 69.43 percent while the financial inclusion index reaches 90.67 percent, which means it is higher than the national financial inclusion index.

Research conducted by Raditia (2020) reveals that financial inclusion in Malang City is influenced by financial literacy and financial technology factors, this is in line with research conducted by Rohmah & Tri (2021) which states that financial literacy and fintech affect community financial inclusion DIY. However, in research conducted by Yoga & Handayani (2021) concluded that the factors of using financial technology and social capital can increase financial inclusion, but financial literacy does not affect the financial inclusion of the people of Karanganyar Regency. Meanwhile, according to Sari & Kautsar (2020) that financial literacy is the factor that most influences the financial inclusion of the people of

Surabaya City, while the use of financial technology does not have an effect on the financial inclusion of people in the City of Surabaya.

From the results of an OJK survey in the working area of Malang City in 2022 which found that the financial literacy index of the people of Malang City became the highest financial literacy index on a national scale, and based on suggestions from previous research that research was conducted in different areas, at different times and with different variables highly recommended to get different results.

## LITERATURE REVIEW

### Theory of Planned Behavior

Theory of Planned Behavior (TPB) is based on the assumption that humans are rational beings and use information that allows them to systematically, where a person will think about the implications of the actions taken before deciding to carry out certain behaviors (Mahyarni, 2013). This theory emphasizes that human behavior is determined by three considerations, namely attitudes, subjective norms and behavioral control. Perceived behavioral control is a form of ease or difficulty in carrying out an action (Ajzen, 1991). Behavioral control is control over beliefs that include individual perceptions of having the skills needed to achieve goals. In this case it is relevant to the financial literacy variable which is a variable in the research. According to Mahyarni (2013) Subjective norms are normative beliefs related to one's perception to see how the group sees and evaluates behavior which is generally expressed as an individual's motivation to comply with the reference group. In the aspect of subjective norms relevant to social capital variables.

### Financial Inclusion

According to the Ministry of National Finance (2021) financial inclusion is defined as a condition when every member of the public has access to a variety of quality formal financial services in a timely, smooth and safe manner at affordable costs in accordance with their needs and abilities with the aim of improving people's welfare. According to Presidential Regulation number 114 of 2020 indicators for measuring financial inclusion are:

Reach (access) is the ability to use formal financial services which includes physical access and costs.

Use, including the actual use of formal financial services and products.

Quality is the level of fulfillment of the needs of financial products and services that are appropriate and able to meet the needs of society.

Financial inclusion contributes to reducing economic inequality and social welfare. Through public access to financial facilities, the community will increase their ability to generate income, manage finances, and create jobs and economic growth (Ozili, 2022).

### Financial Literacy

Financial literacy is knowledge, skills and confidence that influence financial attitudes and behavior to improve the quality of decision-making and financial management in order to achieve prosperity (OJK, 2022). Financial literacy is an individual's ability to understand, manage and optimally utilize financial resources with the aim of making long-term financial decisions. According to research by Ainiyah & Yuliana (2019), the financial literacy factor has a significant effect on financial inclusion.

Indicators for measuring financial literacy variables according to OJK (2016) are:

Knowledge of Finance, namely individual understanding in receiving information to help make comparisons of products and services of financial institutions with the aim of being able to make good decisions.

Financial skills, is a person's ability to manage finances effectively and efficiently. Through the concept of financial management, budgeting, investment, insurance and so on.

Financial behavior, is an individual action in managing finances, where a person can take advantage of existing financial resources and manage them for long-term prospects.

### Financial Technology

Financial technology (fintech) is a financial service that utilizes the use of digital technology in the form of an integrated system to facilitate financial transactions (Marginingsih, 2021). Fintech development is triggered by the habits of fast-paced society by prioritizing practical, effective and efficient. Fintech opens opportunities to serve people who do not yet have access to formal financial institutions. The implementation of financial technology has been regulated in Article 1 of Bank Indonesia Regulation number 1 which explains that financial technology is the use of technology in the financial sector that produces technology, digital financial service products. Bank Indonesia noted that payments using digital wallet-type fintech products (e-wallets) are the most popular payment methods compared to cash payments and bank transfers.

Fintech is the choice for people to reach financial services easily. The development of various digital financial products provides easy access for the public to use digital financial service products. According to Rohmah & Tri (2021), increasing the financial inclusion index can be done through increasing financial literacy and using fintech products. Measurement of financial technology variables according to research conducted by Liska, et al (2022), based on indicators of understanding of financial technology, convenience, effectiveness and interest.

### Social Capital

Social capital is a set of informal values or norms that are shared among the community which allows cooperation to be established to achieve a goal (Ndruru, 2019). Where through trust, norms and networks become individual factors in achieving a goal. According to Yoga & Handayani (2022) social capital is something that is needed in society to improve the quality of life, so it must be emphasized to the community that its application must be carried out continuously. Social capital indicators used in research according to Suryani & Rani (2021) include :

Trust, which is a form of willingness to take risks in social relations based on the belief that other parties will act according to expectations and always act according to mutually supportive action patterns.

Norms are a form of binding provisions in society as guidelines, policies and controllers so that each element runs properly.

Network as the ability of groups of individuals in associations or social networks to relate and work together to receive information well.

## HYPOTHESIS

Based on several previous studies conducted by Raditia (2020), Shen, Yan et al (2019), Sari & Kautsar (2020), Rohmah & Tri (2021) stated that the financial literacy factor has a significant positive effect on financial inclusion. Then the hypothesis that can be formulated is

H1: Financial literacy has an effect on the financial inclusion of the people of Malang City  
Based on research conducted by Yoga and Handayani (2021), Salsabella (2022), Shen, Yan et al (2019) and Raditia (2020) the results found that financial technology has a significant positive effect on financial inclusion. Then the hypothesis formulated is:

H2: Financial technology has an effect on the financial inclusion of the people of Malang City

The results of research by Pradana (2022), Yoga and Handayani (2021) and Ndruru (2019) show that there is a significant influence between social capital factors on financial inclusion. Then the hypothesis obtained:

H3: Social capital influences financial inclusion in the people of Malang City.

## METHODS

### Design or Research Design

This research uses research with a descriptive quantitative approach, which is a method that aims to determine the effect of a variable. And this study analyzes the effect of financial literacy, financial technology and social capital on financial inclusion.

### Data Types and Sources

The type of data used in this research is quantitative data. While the data source in this study is primary data which is the opinion and perception of the people of Malang City which is distributed through a questionnaire on Googleform with a 5-point Likert scale. Researchers used five alternative answers, namely Strongly Agree (Score 5), Agree (score 4), Less Agree (score 3), Disagree (Score 2), and Strongly Disagree (Score 1). The research also uses secondary data obtained from the literature for additional information needed during the research.

### Population and Sample

The population in this study is the people of Malang City who use e-wallet type *fintech*. In this study, samples were taken using nonprobability sampling and using a purposive sampling technique where sampling was based on research needs. Respondent criteria are people who live in Malang City and use e-wallet type *fintech* products. Because the population size is not known with certainty, the sample determination used is the *Lemeshow* formula. After doing the calculations, the researchers decided to take a sample of 150 samples.

### Overview of Respondents

Respondents who were sampled in this study were people who live in Malang City and use e-wallet *fintech* products. With a total sample of 150 respondents. Data collection was carried out by distributing questionnaires via Googleform from 12 May 2023 - 12 June 2023. The data obtained from 150 respondents can be divided into :

**Table 3.** Data respondents by district area

Area	Number of respondents	Percentage
Klojen	32	21,3%
Blimbing	28	18,7%
Kedungkandang	25	16,6%
Lowokwaru	35	23,3 %
Sukun	30	20%
<b>Total</b>	<b>150</b>	<b>100%</b>

Source: Processed Data, 2023

**Table 4.** Data of respondents based on gender

Gender	Number of respondents	Percentage
Female	82	54.7%
Male	68	45.3%
Total	150	100%

Source: Processed Data, 2023

Based on the data Table 3, the people of Malang City in Lowokwaru District became the most respondents with a total of 35 respondents with a percentage of 23.3 percent, Klojen District 32 respondents, Sukun District with 30 respondents, while in the Kedungkandang District area there were 25 respondents and Blimbing District with 28 respondents. Based on the data Table 4 in this study the number of female respondents was 82 respondents

with a percentage of 54.7% and this number was higher than the male respondents with a total of 68 respondents.

### Analysis Method

The research data that will be used to achieve the objectives of this study were analyzed with the help of the Structural Equation Modeling (SEM) analysis tool with the SmartPLS 4.0 program. The SEM multivariate statistical analysis method is a form of development from regression and path analysis (Muhson, 2022). The PLS analysis method is an analytical tool where research data does not need to meet normality requirements because SmartPLS uses the bootstrapping or random multiplication method, and can be used without a minimum number of samples. SmartPLS is able to test formative as well as reflective SEM models with different indicator measurement scales in one model. PLS can be used for testing to confirm a theory, and to test whether or not there is a relationship between latent variables. PLS simultaneously analyzes the form of reflective and formative indicator constructs.

### Validity test

Validity testing was carried out with 150 samples, Convergent validity in PLS with reflective indicators was determined based on loading factor indicators that measure constructs (relationships between item scores and construct scores). The rule of thumb that is often used to measure Convergent validity is that the outer loading value is greater than 0.70.

### Discriminant Validity

The discriminant validity test is based on the principle that different gauges (manifest variables) should not be strongly correlated. One way to test discriminant validity with reflective indicators is to ensure that the cross-loading value of each variable must be greater than 0,70.

### Reliability Test

Reliability testing can be determined by the value of composite reliability and Cronbach's alpha. In order to be said to be a reliable construct, the Cronbach's alpha value must be greater than 0.6 and the composite reliability value must be greater than 0,7.

### Hypothesis testing

In testing the hypothesis carried out to answer research problems that have been formulated previously using SmartPLS 4.0 software. The next step after testing convergent validity and discriminant validity is to test the structural model (inner model). Structural values can be seen through the estimation results of the path parameter coefficients and the results of the evaluation of their significance level.

## RESULTS

### Validity test

Table 5. Outer Loadings Value

Indicators	Outer Loading	Conclusion
Financial Literacy 1	0.803	Valid
Financial Literacy 2	0.780	Valid
Financial Literacy 3	0.792	Valid
Financial Literacy 4	0.751	Valid
Financial Literacy 5	0.798	Valid
Financial Literacy 6	0.773	Valid
Financial Literacy 7	0.718	Valid
Financial Technology 1	0.719	Valid
Financial Technology 2	0.733	Valid
Financial Technology 3	0.784	Valid
Financial Technology 4	0.849	Valid
Financial Technology 5	0.821	Valid
Financial Technology 6	0.802	Valid
Financial Technology 7	0.733	Valid

Indicators	Outer Loading	Conclusion
Financial Technology 8	0.748	Valid
Social Capital 1	0.739	Valid
Social Capital 2	0.832	Valid
Social Capital 3	0.834	Valid
Social Capital 4	0.837	Valid
Social Capital 5	0.845	Valid
Social Capital 6	0.719	Valid
Financial Inclusion 1	0.713	Valid
Financial Inclusion 2	0.736	Valid
Financial Inclusion 3	0.825	Valid
Financial Inclusion 4	0.750	Valid
Financial Inclusion 5	0.821	Valid
Financial Inclusion 6	0.825	Valid
Financial Inclusion 7	0.710	Valid
Financial Inclusion 8	0.713	Valid

Source: Processed Data, 2023

Table 5 shows that the value of the outer loadings for each variable is greater than 0.70. From this it can be concluded that all statements used in each variable can be declared valid or suitable for use as research instruments

#### Discriminant Validity

This test is related to the principle that different quantifiers (manifest variables) should not correlate with height. The way to test discriminant validity with reflective indicators is to see the cross loading value for each variable must be  $> 0.7$ . Based on the data in the table it can be seen that the cross loading value also indicates good discriminant validity, therefore the indicator correlation is higher than the other constructs.

Tabel 6. Discriminant Validity

Indicators	Financial Literacy	Financial Technology	Social Capital	Financial Inclusion
Financial Literacy 1	0.803	0.348	0.341	0.387
Financial Literacy 2	0.780	0.508	0.482	0.602
Financial Literacy 3	0.792	0.187	0.251	0.357
Financial Literacy 4	0.751	0.391	0.364	0.316
Financial Literacy 5	0.798	0.383	0.384	0.305
Financial Literacy 6	0.773	0.207	0.291	0.327
Financial Literacy 7	0.718	0.257	0.411	0.318
Financial Technology 1	0.304	0.719	0.507	0.531
Financial Technology 2	0.403	0.733	0.487	0.469
Financial Technology 3	0.323	0.784	0.594	0.469
Financial Technology 4	0.349	0.849	0.597	0.551

Indicators	Financial Literacy	Financial Technology	Social Capital	Financial Inclusion
Financial Technology 5	0.306	0.821	0.605	0.539
Financial Technology 6	0.303	0.802	0.637	0.540
Financial Technology 7	0.404	0.733	0.605	0.449
Financial Technology 8	0.373	0.748	0.655	0.523
Social Capital 1	0.361	0.461	0.537	0.739
Social Capital 2	0.403	0.597	0.630	0.832
Social Capital 3	0.405	0.698	0.579	0.834
Social Capital 4	0.380	0.754	0.556	0.837
Social Capital 5	0.382	0.645	0.544	0.845
Social Capital 6	0.374	0.467	0.466	0.719
Financial Inclusion 1	0.464	0.487	0.480	0.713
Financial Inclusion 2	0.407	0.381	0.374	0.736
Financial Inclusion 3	0.372	0.651	0.631	0.825
Financial Inclusion 4	0.426	0.531	0.452	0.750
Financial Inclusion 5	0.419	0.546	0.566	0.821
Financial Inclusion 6	0.394	0.527	0.685	0.825
Financial Inclusion 7	0.309	0.395	0.503	0.710
Financial Inclusion 8	0.353	0.452	0.463	0.713

Source: Processed Data, 2023

### Reliability Test

The reliability test can be seen from the value of composite reliability and Cronbach's alpha. To be said to be a reliable construct, the Cronbach's alpha value must be  $>0.6$  and the composite reliability value must be  $> 0.7$ .

**Table 7.** Construct Reliability and Validity

	Cronbach's alpha	Composite reliability	
Financial Technology	0.904	0.923	Reliable
Financial Inclusion	0.897	0.918	Reliable
Financial Literacy	0.891	0.913	Reliable
Social Capital	0.889	0.915	Reliable

Source: Processed Data, 2023

Based on table 7 Construct Reliability and Validity it can be seen that all constructs are declared reliable because all constructs have a value above 0.70. So it can be said that the construct in this study has good reliability. Besides that, based on the table above, it can



be seen that the Cronbach's alpha value for all constructs is above 0.70. So that it can be said that the construct in this study has good reliability.

### Hypothesis testing

Hypothesis testing was carried out to answer research problems that had been previously formulated using SmartPLS software. The next step after conducting convergent validity and discriminant validity tests is to test the structural model (inner model). Structural values can be seen through the estimation results of the path parameter coefficients and their level of significance. In testing the hypothesis, the basis used is in the following output result for inner weight:

**Tabel 8.** R-Square

	R-square
Financial Inclusion	0.554

Source: Processed Data, 2023

**Tabel 9.** Result for inner weight path coefficient (Mean, STDEV, T-Values)

	Original sample (O)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Financial Tecnology -> Financial Inclusion	0.279	0.118	2.376	0.018
Financial Literacy -> Financial Inclusion	0.207	0.087	2.391	0.017
Social Capital -> Financial Inclusion	0.381	0.105	3.633	0.000

Source: Processed Data, 2023

Based on the R-square table above, it shows the R-square value for Financial Inclusion of 0.554 which can be interpreted that Financial inclusion can be explained by the construct variables Financial Literacy, Financial Technology and Social Capital of 55.4% while the remaining 44.6% is explained by variables outside the researched.

Based on table 9, it can be seen that the parameter coefficient of the Financial technology variable is 0.279 indicating a positive relationship between financial technology and Financial Inclusion. Judging from the t-test states that the t-statistic value of the financial technology variable is 2.376 > t-table 1.96 with a significance value of the financial technology variable 0.018 < 0.05, it can be concluded that the financial technology variable has a significant positive influence on the financial inclusion of urban communities Poor.

Based on table 9, it can be seen that the parameter coefficient of the Financial Literacy variable is 0.207 indicating a positive relationship between financial literacy and Financial Inclusion. Judging from the t-test states that the t-statistic value of the financial literacy variable is 2.391 > t-table 1.96 with a significance value of the financial literacy variable 0.017 < 0.05, it can be concluded that the financial literacy variable has a significant positive effect on the financial inclusion of the people of Malang City.

Based on the 9 tables, it can be seen that the parameter coefficient of the social capital variable is 0.381 indicating a positive relationship between social capital and financial inclusion. Judging from the t-test states that the t-statistic value of the social capital variable is 3.633 > t-table 1.96 with a significance value of the social capital variable 0.00 < 0.05, it can be concluded that the social capital variable has a significant effect on the financial inclusion of the people of Malang City.

## DISCUSSION

### The Effect of Financial Literacy on Financial Inclusion

Based on the test results using the SmartPLS program in table 9 in this study, it is known that the financial literacy variable has a parameter coefficient value of 0.207 which shows a positive relationship between financial literacy and financial inclusion. A positive coefficient value means that the higher the level of financial literacy, the higher the level of

financial inclusion. The significance value for the financial literacy variable is 0.017 which is smaller than 0.05, while the t-test states that the t-statistic value is positive at  $2.391 > t$ -table 1.96.

It can be concluded that the financial literacy variable has a significant positive effect on the financial inclusion of the people of Malang City. The results of testing the hypothesis indicate that  $H_0$  is rejected and  $H_1$  is accepted, which means that there is an influence from the financial literacy variable on the financial inclusion variable. So it can be concluded that financial literacy has a positive and significant effect on financial inclusion. The results of this study are in line with previous research conducted by Raditia (2020) which stated that financial literacy has a significant positive effect on financial inclusion in the people of Malang City. Where the better the level of financial knowledge, skills and individual financial behavior, the more financial inclusion will be achieved. In line with the achievement of the Malang City financial literacy index which occupies the highest position on a national scale, the Malang City financial inclusion index has also increased from the previous year's SNLIK period.

### **The Effect of Fintech on Financial Inclusion**

Based on the test results using the SmartPLS program in table 9 in this study, it is known that the financial technology variable has a parameter coefficient value of 0.279 which indicates a positive relationship between financial technology and financial inclusion. A positive coefficient value means that the higher the level of use of financial technology, the higher the level of financial inclusion. The significance value for the financial technology variable is 0.018 which is smaller than 0.05, while the t-test states that the t-statistic value is positive at  $2.376 > t$ -table 1.96. It can be concluded that the financial technology variable has a significant positive effect on the financial inclusion of the people of Malang City.

The results of testing the hypothesis indicate that  $H_0$  is rejected and  $H_2$  is accepted, which means that there is an influence from the financial technology variable to the financial inclusion variable. So it can be concluded that financial technology has a positive and significant effect on financial inclusion. The results of this study are in line with previous research conducted by Raditia (2020) which stated that financial technology has a significant positive effect on financial inclusion in the people of Malang City.

Fintech or financial technology acts as a tool that helps make it easier for people to access financial services digitally. With the existence of fintech, many people now have accounts of technology-based financial services. This means that the more people use fintech, the more financial inclusion will increase. The development of innovation through fintech can increase financial inclusion because many people use digital innovation to facilitate financial transactions. E-wallets contribute to helping increase financial inclusion in society, especially in the digital payment function which encourages transformation using digital transactions.

### **The Effect of Social Capital on Financial Inclusion**

Based on the test results using the SmartPLS program in table 9 in this study, it is known that the social capital variable has a parameter coefficient value of 0.381 which shows a positive relationship between social capital and financial inclusion. A positive coefficient value means that the higher the social capital, the higher the level of financial inclusion. The significance value for the social capital variable is 0.00, which is smaller than 0.05, while the t-test states that the t-statistic value is positive at  $3.633 > t$ -table 1.96. It can be concluded that the social capital variable has a significant positive effect on the financial inclusion of the people of Malang City.

The results of testing the hypothesis indicate that  $H_0$  is rejected and  $H_3$  is accepted, which means that there is an influence from social capital variables on financial inclusion variables. So it can be concluded that social capital has a positive and significant effect on financial inclusion. The results of this study are in line with previous research conducted by Ndruru (2019) which stated that social capital has a significant positive effect on financial inclusion.

The development of interaction between people through social capital can be the first step in growing one's awareness in terms of having expertise in solving various problems, in order to encourage change in society. In this case it is important for the community to have

social capital as access to dealing with financial problems for a better future. In other words, it is necessary to pay attention to how the community improves aspects of social capital in order to achieve optimization of financial inclusion.

### CONCLUSION

Increasing the financial inclusion index plays an important role in various aspects of the economy, including for equal access to financial services. Financial inclusion ensures that all individuals have equal access to financial services to help reduce social inequalities and increase economic well-being. There are various factors that can increase the financial inclusion index, including financial accessibility, financial infrastructure, financial awareness and education, digital inclusion, community-based approaches, product innovation and financial services, and so on. This study answers the factors related to financial literacy, financial technology and social capital that have an effect on increasing financial inclusion in the people of Malang City.

Based on the results of the research conducted, the following conclusions can be drawn: (1) Financial Literacy has a significant positive effect on the financial inclusion of the people of Malang City. This means that the better the level of financial literacy of the people of Malang City, it will affect the financial inclusion of the people of Malang City. (2) Financial Technology has a positive and significant effect on inclusive finance for the people of Malang City. This means that when the people of Malang City use fintech products increase, it will affect the financial inclusion of the people of Malang City. (3) Social capital has a significant effect on the financial inclusion of the people of Malang City. This indicates that it is necessary to pay attention to how the community improves aspects of social capital in order to achieve optimization of financial inclusion.

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