

Sharia Financial Literacy and Vigilance Against Fraudulent Investments: Determining Factors in Investment Decisions for Students at Muhammadiyah Islamic Boarding Schools

Wilson Candra Teguh Pratama^{1*}, Aditya Maulana Rizqi², Fikri Nur Fadlillah³

^{1,2,3} Faculty of Science and Humanities, Muhammadiyah University of Gombong, Indonesia

*Corresponding Author: wilsonctp24@gmail.com

Article History

Received: 12-05-2026

Revised: 28-05-2026

Published: 30-06-2026

Keywords: Literacy Islamic Finance, Be Alert Investment Bogus, Investment Decisions, Students, Islamic Boarding Schools Islamic Boarding School

ABSTRACT

Rapidly digitalization transaction finance bring challenge new for community Islamic boarding schools, especially related the rise practice investment bogus targeting Generation Z. Research This aim For test influence literacy Islamic finance and vigilance to investment bulging to decision investment students at the Islamic boarding school Muhammadiyah Gombong Islamic Boarding School. With use approach quantitative, data collected through method purposive sampling from 120 respondents students minimum age of 17 years. Data analysis was carried out with approach Structural Equation Modeling -Partial Least Squares (SEM-PLS) via device soft SmartPLS 4.0. Findings empirical confirm that literacy Islamic finance has an impact positive and significant to decision. Likewise, alertness to investment bulging proven influential positive and significant to decision investment.

INTRODUCTION

The rapid development of financial technology and the digitalization of transactions brings both opportunities and challenges for society, including Islamic boarding school communities. Generation Z in Muhammadiyah Islamic boarding schools is facing the phenomenon of a proliferation of digital investment instruments, both legal and illegal. One fundamental problem is the still low level of Islamic financial literacy, particularly in distinguishing between Islamic financial products and illegal or fraudulent investment practices. This condition is increasingly crucial considering that data from the Financial Services Authority (OJK, 2022) shows that many people, including young people, are still victims of illegal investments with losses reaching trillions of rupiah

Muhammadiyah Islamic Boarding Schools, as Islamic educational institutions that emphasize character development and the religiosity of Generation Z, have a strategic role in providing an understanding of Islamic finance. However, reality shows that most students do not yet have adequate Islamic financial literacy to distinguish investment instruments in accordance with Islamic principles from fraudulent practices in the name of Islamic law. The

level of awareness of fraudulent investments is still relatively low due to the limited formal financial education received. Therefore, strengthening Islamic financial literacy and increasing awareness of fraudulent investments is very important to be done as a form of protection against risky financial behavior, especially among Muhammadiyah Islamic boarding school students.

An OJK survey in 2018 recorded that the sharia financial literacy index was at 8.93%, far below the national financial literacy index, indicating that the public's understanding of sharia-based financial products is still limited. This low literacy rate impacts the weak ability of Islamic boarding school students (*santri*) to manage finances, assess risks, and make appropriate investment decisions. This condition is further exacerbated by the rise of fraudulent investment practices that use sharia as a pretext and target young people through social media and digital applications.

Several previous studies have confirmed that Islamic financial literacy has a positive correlation with investment decisions. Research by Fadillah and Lubis in 2024 showed that Islamic financial literacy and Islamic financial inclusion significantly influenced investment decisions among Generation Z in West Java. However, several studies have shown inconsistent results regarding moderating variables or external interactions. For example, Fitriyah & Rahmawati (2023) found that Islamic financial literacy itself did not directly influence investment decisions, but had an indirect effect through motivation.

Based on these findings, a significant research gap exists: few studies have combined Islamic financial literacy and investment scam awareness as shared determinants in Islamic boarding school (*pesantren*) student populations. The majority of studies focus on Generation Z in the general context of university students or capital markets, while the context of Islamic boarding schools particularly Muhammadiyah Islamic boarding schools has not been studied in depth. Empirical studies on investment behavior and vulnerability to fraud highlight the role of digital literacy and overconfidence: individuals with erroneous or excessive financial knowledge tend to be more vulnerable to investment fraud schemes even if they actively use digital platforms. In the specific realm of Islamic finance, recent studies have mapped that increased Islamic literacy and financial inclusion improve rational investment tendencies among Generation Z, but the protective impact against “fraudulent investment” practices has not been simultaneously explored in a religious population such as Islamic boarding school (*pesantren*) students.

RESEARCH METHODS

This study uses a quantitative approach to examine the influence of Islamic financial literacy and awareness of fraudulent investments on the investment decisions of students at Muhammadiyah Islamic boarding schools. The quantitative approach was chosen because it is able to objectively measure constructs, test hypotheses, and validate conceptual models through statistical analysis, thus producing strong empirical evidence regarding the relationships between variables. Data collection was conducted using a purposive sampling

method on students at Muhammadiyah Islamic boarding schools in Gombong. The respondent criteria were students aged at least 17 years. The sample size for this study was 120 students. Data from the collected questionnaires served as the basis for the research analysis. To process the data, the SEM-PLS (Structural Equation Modeling – Partial Least Squares) approach was used with the assistance of SmartPLS software version 4.0. The analysis included testing the outer model, inner model, and hypothesis testing.

RESULTS AND DISCUSSION

Table 1. Results of loading factor analysis

Indicator	Financial Literacy	Financial Technology	Financial performance
LKS-1	0.788		
LKS-2	0.749		
LKS-3	0.775		
LKS-4	0.780		
LKS-5	0.722		
WIB-1		0.752	
WIB-2		0.743	
WIB-3		0.772	
WIB-4		0.782	
WIB-5		0.840	
KI-1			0.783
KI-2			0.793
KI-3			0.801
KI-4			0.809
KI-5			0.756

An indicator is deemed to meet convergent validity requirements if its loading factor value exceeds 0.70. Referring to the data in Table 1, all indicators have reached this threshold, thus concluding that all indicators in this study have good validity.

Table 2. Results of cross loading analysis

Indicator	Financial Literacy	Financial Technology	Financial performance
LKS-1	0.788	0.439	0.476
LKS-2	0.749	0.389	0.489

LKS-3	0.775	0.430	0.515
LKS-4	0.780	0.479	0.525
LKS-5	0.722	0.360	0.443
WIB-1	0.336	0.752	0.412
WIB-2	0.420	0.743	0.422
WIB-3	0.459	0.772	0.439
WIB-4	0.486	0.782	0.443
WIB-5	0.438	0.840	0.494
KI-1	0.466	0.423	0.783
KI-2	0.529	0.394	0.793
KI-3	0.572	0.497	0.801
KI-4	0.505	0.495	0.809
KI-5	0.474	0.449	0.756

The discriminant validity criteria are considered met if the cross-loading value of an indicator on its own construct is greater than the loading value on other constructs. Based on the data in Table 2, each indicator shows a higher value on the construct being measured compared to other constructs, so all indicators are declared to meet the discriminant validity requirements.

Table 3. Results of Reliability Analysis

Variables	Cronbach's alpha	Composite Reliability
Sharia Financial Literacy	0.812	0.871
Beware of Fraudulent Investments	0.829	0.878
Investment Decisions	0.845	0.892

Based on the data in Table 3, all variables in this study were declared reliable. This is based on the Cronbach's alpha value, which was above the threshold of 0.60, and the composite reliability value, which exceeded 0.70. By meeting these two criteria, the instrument used was proven to have good consistency.

Table 4. Results of the coefficient of determination analysis

Variables	R-square
Investment Decisions	0.471

The data in Table 4 shows an R-square value of 0.471 for the Investment Decision variable. This figure indicates that Islamic financial literacy and awareness of fraudulent

investments contribute 47.1% to explaining investment decisions. Although categorized as having a weak influence (as it is above the 0.25 threshold), this result confirms the role of these two variables, while the remaining 52.9% is influenced by other factors beyond the scope of this study.

Table 5. Results of Q-square analysis

Variables	Q-square
Investment Decisions	0.475

Based on the data in Table 5, the Investment Decision variable recorded a Q-Square value of 0.475. Considering that this figure is far above zero, it can be concluded that this model has strong predictive relevance. Theoretically, a positive Q-Square value confirms that the tested variable has good predictive accuracy in the observation model.

Table 6. Results of the Goodness of fit model (GoF) analysis

	GoF
SRMR	0.063

Goodness of Fit (GoF) evaluation was conducted using the Standardized Root Mean Square Residual (SRMR) parameter. Referring to the data in Table 5, the SRMR value was 0.063. Because this figure is below the threshold of 0.08, it can be concluded that this research model has a good level of fit and meets the established criteria.

Table 7. Results of hypothesis testing

	t-statistics	p-values
Sharia Financial Literacy	8,505	0,000
Beware of Fraudulent Investments	5,356	0,000

Based on the bootstrapping data listed in Table 7, literacy proven Islamic finance give impact positive and significant on investment decisions students cottage Muhammadiyah Islamic boarding school. Findings This strengthened by the acquisition t- statistic value amounting to 8,505 which exceeds threshold of 1.96, as well as p-value of 0.000 ($p < 0.05$). With Thus, the hypothesis states that existence influence positive literacy finance on investment decisions stated accepted.

Similar results were also found in the variables alert investment bodong , which shows impact positive as well as significant on investment decisions students cottage Muhammadiyah Islamic boarding school . This evidence seen from acquisition t- statistic value amounting to 5,356 which exceeds standard 1.96, as well as p-value reached 0.000 ($p <$

0.05). Consequently, the hypothesis that states that "be alert investment bulging influential positive on investment decisions " in a manner official stated accepted.

Discussion

Influence Literacy Islamic Finance on Investment Decisions

Based on results testing hypothesis in Table 7, found that literacy Islamic finance has influence positive and significant to decision investment students at the Islamic boarding school Muhammadiyah Gombong Islamic Boarding School. This proven with mark t-statistic amounting to 8,505 which is far beyond threshold of 1.96 and p-value of 0.000. Findings This indicates that the more all level understanding students about principles finance sharia- based, then the more big trend they For involved in activity appropriate investment with sharia.

Theoretically, Islamic financial literacy provides a foundation for Islamic students to evaluate risks and benefits based on Islamic principles, such as avoiding elements of usury (riba), gambling (maysir), and gharar (gharar). These results align with research by Fadillah and Lubis (2024), which states that financial literacy is a crucial determinant for Generation Z in making sound financial decisions. In the context of Muhammadiyah Islamic boarding schools, character education and religiosity appear to strengthen students' abilities to view investments not only from the perspective of material gain, but also from the perspective of blessings and Sharia compliance.

Influence Vigilance to Investment Bulging on Investment Decisions

Research result this also shows that vigilance to investment bodong (investment scam awareness) has an impact positive and significant to decision investment. With mark t-statistic 5.356 and p-value 0.000, hypothesis second in study This accepted. Findings This Enough interesting Because show that level high alertness No make students Afraid For investing, but rather make they more selective and rational in choose instrument legal and safe investment.

This heightened vigilance is particularly relevant given the rise of investment fraud schemes targeting young people through social media. Students who are aware of the risks of fraudulent investments tend to conduct more in-depth legal verification before investing their funds. This supports previous studies that highlight that protection against risky financial behavior depends heavily on an individual's ability to recognize the signs of financial fraud early on.

Bibliography

- Albertus, S. S., Leksono, A. W., & Vhalery, R. (2020). Pengaruh literasi keuangan dan lingkungan kampus terhadap manajemen keuangan pribadi mahasiswa. *Research and Development Journal of Education*, 1(1), 33–39.
- Fadillah, A. N., & Lubis, D. (2024). The influence of Islamic financial literacy, Islamic financial inclusion, and financial behavior on the investment decisions of Generation Z in West Java. *Falah: Jurnal Ekonomi Syariah*, 9(1), 1–16. <https://doi.org/10.22219/jes.v9i1.29286>

- Fauzah, D. R., & Amaliyah, K. A. (2023). The impact of financial technology, Islamic financial literacy, and behavioral biases on investment decisions in the sharia capital market. *International Journal of Islamic Finance*, 1(1), 1–19. <https://doi.org/10.14421/ijif.v1i1.2039>
- Fitriyah, A. T., & Rahmawati, N. (2023). Digital platform, financial literacy and motivation on Generation Z's decision to invest in Islamic stocks: A structural equation modelling analysis. *International Journal of Islamic Finance*, 1(1), 1–19. <https://doi.org/10.14421/ijif.v1i1.2039>
- Otoritas Jasa Keuangan. (2022). *Laporan tahunan OJK 2022*. Otoritas Jasa Keuangan. <https://www.ojk.go.id>
- Pura, R., et al. (2025). Sinergi edukasi literasi keuangan: Memutus rantai korban investasi bodong. *Masyarakat Mandiri: Jurnal Pengabdian dan Pembangunan Lokal*, 2(3), 14–21.
- Rakhman, Y. (2025). *Manajemen unit usaha bisnis pondok pesantren modern (Studi analisis di Pondok Modern Tazakka Batang)* [Skripsi, UIN K.H. Abdurrahman Wahid Pekalongan].
- Shah, S. S. (2024). Financial literacy and investment behavior of individuals in Pakistan. *International Review of Economics & Finance*. <https://doi.org/10.1016/j.iref.2023.12.011>
- Tambunan, D., & Hendarsih, I. (2022). Waspada investasi ilegal di Indonesia. *Jurnal Perspektif*, 20(1), 108–114.
- Umar, S. O., & Dalimunthe, Z. (2020). Financial literacy and digital literacy to awareness of investment scams among Indonesian college students. *Eduvest: Journal of Universal Studies*, 4(8), 1054–1066.
- Zikri, K., et al. (2024). Indonesia saat ini menghadapi edukasi literasi keuangan syariah siswa/siswi Madrasah Aliyah di Tanjung Jabung Timur. *NEAR: Jurnal Pengabdian kepada Masyarakat*, 4(1), 1–7.