# The Influence of Social Capital and Investment Literacy on Participation in Blended Islamic Finance Through Sharia Financial Inclusion (A Study of Islamic Boarding School Communities)

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**Abstract**

Global geopolitical instability and financial market volatility have increased the urgency of strengthening the sharia financial system through blended Islamic finance. This study aims to examine the effects of social capital and investment literacy on participation in Islamic blended finance, with sharia financial inclusion as a mediating variable among Islamic boarding school (*pesantren*) communities in Madura. A causal-associative quantitative approach was used, involving of 115 active students (*santri*) or have graduated (*alumni*) who use sharia financial services. Data were collected through a Likert-scale questionnaire and analyzed using SEM-PLS with SmartPLS. The findings indicate that social capital does not have a direct effect on participation in Islamic blended finance, whereas investment literacy and sharia financial inclusion do. Furthermore, sharia financial inclusion fully mediates the relationship between social capital and participation, while partially mediating the relationship between investment literacy and participation. These findings emphasize the importance of strengthening sharia financial inclusion to expand the participation of Islamic boarding school communities in addressing global financial risks. The study also recommends future longitudinal research to further validate the proposed relationships over time.

**Keywords:** Investment Literacy; Sharia Financial Inclusion; Islamic Blended Finance; Global Financial Risk

## 1. Introduction

The geopolitical conflict involving Israel, the United States, and Iran has become one of the major sources of global instability in recent months. The escalating tensions in the Middle East have affected not only international security but also disrupted global trade routes, increased oil market volatility, and heightened uncertainty within the global financial system (Navale, 2026). These developments pose substantial investment risks for economic actors and highlight the need for a financial system that is not only resilient but also founded upon the principles of prudence and long-term stability.

The development of Islamic finance in Indonesia represents one of the most strategic alternatives for responding to global uncertainty, including the impacts of energy price fluctuations and financial market volatility. Financial instruments such as sukuk, Islamic mutual funds, and profit-and-loss sharing financing schemes not only offer greater financial stability but also promote inclusive and sustainable economic growth. According to (Warjiyo, 2026), four fundamental elements constitute the value proposition of the Islamic economic and financial system: devotion, productivity, collaboration, and creativity.

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A bibliometric analysis shows rising scholarly interest in Islamic finance's role in social justice and poverty alleviation, dominated by zakat, waqf, Islamic microfinance, and financial inclusion, with Islamic fintech and productive zakat emerging (Ahmid, 2025). Combining Islamic philanthropic funds with commercial Islamic instruments like sukuk forms Islamic blended finance, addressing funding gaps, supporting SDGs, strengthening equitable wealth distribution, and mitigating risk to attract private investment (Sugiarto, R. R., et al. 2025). Indonesia's implementation shows positive results despite coordination and readiness challenges, yet remains a strategic, sustainable development solution (Wanta, D., Felita, A., & Noviantoro, 2022). The World Bank views blended finance as key to expanding funding for high-impact sectors by reducing risk and boosting private investment (World Bank, 2022).

Community participation, alongside private-sector involvement, constitutes a crucial component of sustainable financing systems. Community participation may be reflected through both attitudes and behaviors. Civic attitudes refer to individuals' beliefs and personal perceptions regarding their involvement in their communities and their perceived ability to contribute to social change. Civic behaviors, on the other hand, refer to concrete actions individuals take to actively engage in and improve their communities (Doolittle & Fau, 2013).

Integrating zakat, waqf, and sukuk within an Islamic blended finance framework represents an innovative form of community participation, mobilizing Islamic social funds and commercial capital in a mutually reinforcing manner. Combining zakat and waqf enhances poverty alleviation, while incorporating sukuk fosters a more stable, equitable, and socially beneficial system. This integration constitutes a strategic innovation for sustainable development financing, reflecting core Islamic economic principles of justice, sustainability, and social welfare, and confirming its effectiveness as an inclusive strategy for bridging development financing gaps (Aufa, et al., 2023).

Madura Island has strong potential as a leading Islamic blended finance center, since Madurese society's religious values ease acceptance of Islamic finance. *Pesantren*, widespread across the island, serve as community economic empowerment centers, catalyzing integration of Islamic philanthropy (zakat, *infaq*, waqf) with commercial Islamic instruments supporting agriculture, fisheries, MSMEs, and halal industry. Achieving this national model requires examining social capital, investment literacy, financial education, digital financial services, user experience, and perceived value shaping community participation (Ibrahim et al., 2025).

Research on blended finance in West Java shows strong potential to drive regional financing innovation in infrastructure, renewable energy, MSMEs, and the creative economy, though the study was qualitative, relying only on stakeholder interviews (Rizaldy, 2024). Other studies have demonstrated that both social capital and human capital play crucial roles in improving social and economic outcomes. For example, Dar & Mishra, (2020) found that both formal and informal social networks significantly contribute to the performance of social entrepreneurs. Therefore, the extensive social capital embedded within *pesantren* communities in Madura should be strategically leveraged.

Few studies have examined participation in blended Islamic finance by integrating investment literacy within Islamic boarding school communities, particularly in east java and Indonesia broadly, with even fewer focusing on Madura. this research offers significant novelty through a new perspective, methodological approach, and empirical evidence on how social capital and investment literacy promote participation in blended Islamic finance among *pesantren* communities. titled “The Influence of Social Capital and Investment Literacy on

Participation in Blended Islamic Finance Through Sharia Financial Inclusion (A Study of Islamic Boarding School Communities)".

### 1.1 Conceptual Framework

The conceptual framework of this study proposes that social capital and investment literacy function as exogenous variables influencing participation in blended Islamic finance, both directly and indirectly through Sharia financial inclusion, which serves as the mediating variable.

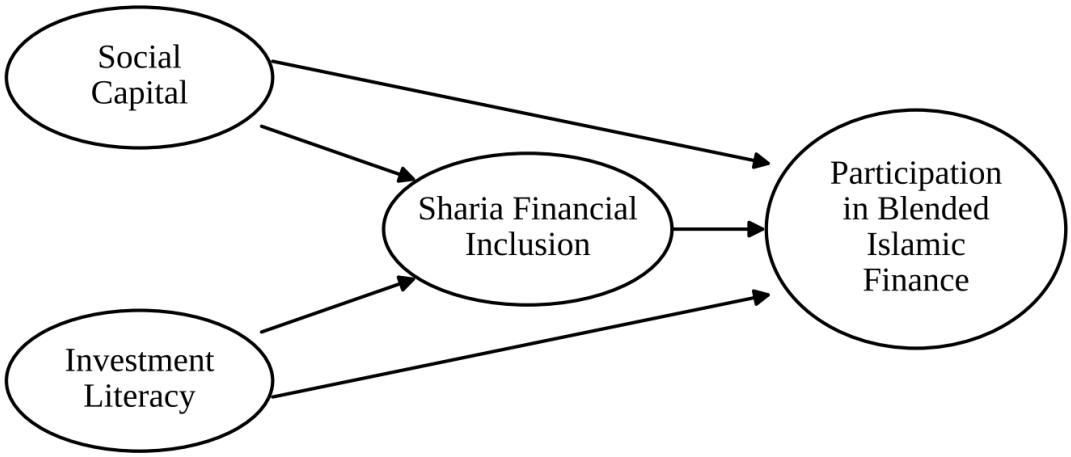



**Figure 1. Conceptual Framework of This Study**

### 1.2 Hypothesis Development

Based on the conceptual framework and previous empirical studies, the following hypotheses are proposed:

H1: Social capital has a significant direct effect on the participation of blended Islamic finance in the *pesantren* community in Madura. The formulation of this hypothesis (H1) is following Mulyani and Basrowi's finding that social capital directly influences tourism growth and partially mediates community participation in Sidoarjo's tourism development, reflecting shared community trust and awareness (Mulyani, Sri., 2026).

H2: Investment literacy has a significant direct impact on the participation of blended Islamic finance in the *pesantren* community in Madura.

Research directly linking investment literacy to blended Islamic finance remains scarce, as the construct relates more to development financing/SDGs than individual literacy. Thus, H2 draws on prior sharia literacy studies, showing significant effects on investment intention and decisions in Islamic banks (Nousheen Abbas Naqvi, et al., n.d.).

H3: The Sharia financial inclusion has a significant impact on the participation of blended Islamic blended in the *pesantren* community in Madura.

The formulation of the third hypothesis (H3) is based on research findings (Fidhayanti et al., 2024) that strengthening investment literacy, particularly in the context of sharia, has strategic relevance in supporting national policies oriented toward inclusion, stability, and economic sustainability, as previously mentioned in the literature review. However, further research to address the development of these two hypotheses will be demonstrated in this study.

H4: Social capital significantly influences blended Islamic finance participation through Sharia financial inclusion in the *pesantren* community in Madura.

H5: Investment literacy significantly influences blended Islamic finance participation through Sharia financial inclusion in the *pesantren* community in Madura.

H4 and H5 derive from ANP analysis showing Sharia financial inclusion in Indonesia is driven by demand and supply factors. Demand factors, ranked by significance, are financial literacy (27%), religious commitment (22%), socio-economic factors (19%), and social influence (17%) (Mohammad, Mahbubi Ali., et al., 2020) Thus, financial literacy, including investment literacy, and social influence significantly affect participation in blended Islamic finance through Sharia financial inclusion as an intermediary variable, given their correlation.

H6: The Sharia financial inclusion can significantly mediate the relationship between social capital and participation in blended Islamic finance within the *pesantren* community in Madura.

H6 posits that waqf's contribution to the SDGs is not automatic but mediated by public waqf literacy and institutional governance quality, critical enablers for effective sustainable development financing. Strong governance enables multi-stakeholder partnerships and blended finance integrating waqf, public budgets, and private investment (Aryana, K. P., & Hasan, 2026); financial inclusion reflects good governance.

H7: The Sharia financial inclusion can significantly mediate the relationship between investment literacy and participation in blended Islamic finance within the *pesantren* community in Madura.

H6 and H7 build on prior research on the urgency of inclusivity in Islamic financial institutions, showing that strengthening the ecosystem requires inclusive governance aligning regulations, Sharia Fintech integration as a catalyst, and structured collaboration, particularly Blended Finance schemes, for resilience and sustainability (Wahyuni, 2025), applicable given similar Islamic transaction principles.

## 2. Literature Review

### 2.1 Social Capital

Contemporary social capital theory has evolved from viewing social capital merely as interpersonal relationships toward understanding it as access to valuable economic and social resources. Martin, et al. (2020), in their study titled demonstrated that first-generation university students use social networks not merely as interpersonal connections but also as mechanisms for obtaining information, accessing opportunities, and securing strategic resources that enhance academic achievement and social mobility. In the digital era, this function has become even more significant through integration with digital ecosystems that expand access to information in a more inclusive and adaptive manner. Furthermore, amid the digital transformation of education and increasing global economic uncertainty, trust and civic engagement have emerged as fundamental components of community resilience. Research by (Alshurafat, et al. (2021) on online accounting education revealed that individuals' trust in digital systems, combined with the quality of social interaction within learning environments, significantly enhances participation and learning effectiveness.

Social capital plays a strategic role in promoting financial inclusion in developing countries by helping overcome structural barriers to formal financial services. Trust, social networks, and digital connectivity significantly boost the use of formal financial services, especially digital payments and fintech adoption (Demirgüç-Kunt & Singer, 2022). thereby strengthening sustainable financial inclusion. Amid global digital transformation, social capital increasingly

shapes social welfare and community adaptability, as digital social interaction, trust, and community networks within virtual ecosystems, like the metaverse, expand information access, encourage collaboration, and create new economic opportunities.

Sharma, et al. (2025) show that embedding social capital in digital platforms enhances individual well-being, entrepreneurial success, and communities' adaptive capacity amid global disruptions, positioning social capital as a strategic instrument for building resilient, inclusive economies rather than merely a social asset. Conceptually, it denotes value embedded in relationships (trust, norms, and networks) that improves economic efficiency, and Zhao & Li, (2021) find it fosters rural entrepreneurship by spreading financial literacy. In Islamic economics, social capital reflects trustworthiness, honesty, justice, and mutual assistance, aiming beyond material gain toward collective welfare; within *Baitul Maal* institutions, it underpins group lending through trust, social proximity, and community supervision, though excessive kinship ties weaken monitoring effectiveness, ultimately reducing risk and transaction costs while sustaining Islamic financial institutions (Fu, 2004).

### 2.2 Investment Literacy

Investment literacy is a conceptual construct reflecting an individual's capacity to comprehend the characteristics of financial instruments, identify associated risks, and evaluate investment alternatives in a rational and well-informed manner. Financial literacy and social interaction positively influence investment intention, while herd behavior significantly affects both investment intention and investors' risk tolerance, showing that literacy and social interaction complement each other in shaping investment behavior (Naryoto, 2026). Financial literacy, the capacity to understand financial instruments, assess risks, and evaluate investment alternatives rationally, is a key determinant of economic decision-making; the OECD considers it essential for financial well-being, and Indonesian evidence confirms it significantly shapes investment preferences while reducing irrational decision-making biases (Holle et al., 2023).

Furthermore, financial literacy performs a strategic role in promoting financial inclusion and strengthening household economic resilience. Improved financial literacy enables individuals to access, understand, and use formal financial products and services effectively. Reports from both the World Bank and Indonesia's Financial Services Authority (OJK) indicate that individuals with higher financial literacy generally enjoy broader financial access, greater participation in formal financial systems, and stronger resilience against economic shocks. Consequently, financial literacy contributes not only to individual welfare but also to the stability of the financial system as a whole (Katnic & Katnic, 2024).

Islamic economics requires investment literacy encompassing Sharia-compliant instruments grounded in justice, transparency, and the prohibition of *riba*. Integrating financial literacy with Islamic financial literacy increases public participation in conventional and Islamic markets, while DSN-MUI regulations and fatwas strengthen product legitimacy, standardization, and public confidence, positively influencing investment intentions and expanding the Islamic investor base (Syafril & Management, 2021). This synergy also promotes sustainable financial inclusion supporting the SDGs, broadening financial access, reinforcing the Islamic capital market as an ethical financing alternative, reducing inequality, and strengthening an inclusive, sustainable national financial system (Supriadi et al., 2023).

These policy implications call for a multidimensional investment literacy framework addressing investment risk, Islamic contractual mechanisms, financial regulation, and digital literacy amid rapid fintech advancement, alongside future research evaluating financial literacy

interventions for evidence-based policymaking. Strengthening investment literacy, particularly within Islamic finance, strategically supports national policies promoting financial inclusion, stability, and sustainable development (Fidhayanti et al., 2024). Prasetya Tri Mahendra, Ika Novaliana, and Suwandi (2024) show that investment literacy positively influences investment decisions by improving risk understanding, encourages Islamic financial participation, and, at the macro level, strengthens financial stability, reduces inequality, and fosters inclusive growth beginning with financial inclusion.

### 2.3 Sharia Financial Inclusion

Bank Indonesia (2021) defines financial inclusion as expanding public access to safe, convenient, and affordable formal financial services through strengthened payment systems and economic digitalization, reflected in policies such as expanding digital payment systems, improving payment infrastructure, and supporting the National Financial Inclusion Strategy, with Indonesia's financial inclusion steadily improving as shown by growing bank account ownership and digital payment usage. Salsabila and Amri, (2025) add that Islamic financial inclusion ensures Islamic financial services are accessible to all segments of society regardless of economic background by removing barriers such as high costs, complex administration, and limited information, thus defining it as equitable, relevant, and affordable access for underserved populations.

Fahmy, et al. (2016) define financial inclusion as access to and effective use of formal financial services, finding that broader inclusion significantly boosts MSME financing and economic growth. Andriani (2024) identifies financial literacy, digital financial literacy, and fintech as key determinants of financial inclusion among university students, since literacy aids understanding of financial products, digital literacy enables effective technology use, and fintech broadens access beyond conventional institutions.

Financial inclusion is a comprehensive concept that emphasizes the access, affordability, quality, and utilization of formal financial services on a broad scale by all levels of society to support economic activities and welfare. From a sharia perspective, this principle is upheld with adjustments to values that are free from *riba* (usury), *gharar* (uncertainty), and *maisir* (gambling), while being oriented toward justice and public benefit (*maslahah*). The improvement of financial inclusion is driven by policy, digitalization, and the role of financial literacy and fintech.

Operationally, sharia financial inclusion can be measured through indicators of access (ownership of accounts at Islamic financial institutions), usage (frequency of transactions and sharia-based financing), service quality (ease of use and cost), digital financial literacy, and the utilization of financial technology.

### 2.4 Blended Islamic Finance

Geopolitical tensions have been rising in recent times, disrupting global financial linkages and deepening market fragmentation. Geopolitical risk and global financial fragmentation significantly reduce international risk diversification in the long run, with a more severe impact on emerging market economies than on developed countries **(Alsadan, A., Alalmaee, H., Zehri, 2025).** Based on structural breaks identified in financial markets, the research findings indicate that increased geopolitical risk has a significant effect on financial stress. Furthermore, the research findings reveal a positive relationship across all financial components (Giovanni De Luca, 2025). Therefore, based on this study, the impact of geopolitical conflict on domestic

financial risk must be genuinely mitigated through the integration of commercial funds from the Islamic capital market with Islamic philanthropic instruments such as zakat, waqf, and voluntary alms, an approach referred to as blended Islamic finance.

From the World Bank's perspective, blended finance can be understood as a strategic instrument capable of increasing private sector participation through risk-reduction mechanisms and the optimization of financing structures (World Bank, 2022). Blended Islamic finance integrates commercial funding sources with Sharia-based social funds such as zakat, waqf, and sukuk; this model not only enhances financing capacity but also strengthens social justice and the equitable distribution of welfare. Its role as a risk mitigation mechanism can attract private sector participation and improve the feasibility of projects previously considered high-risk (Sugiarto, R. R., Edward, F. D., at al., 2025).

Private sector and community participation are vital to financing structures. Community participation comprises citizenship attitude (personal beliefs and perceived capacity to create community change, and citizenship behavior) actions taken to actively engage in and effect such change (Doolittle & Fau, 2013). Integrating zakat, waqf, and sukuk with social and commercial financing within a blended finance scheme reflects an innovative form of community participation in Islamic finance, addressing sustainable development financing needs unmet by a single funding source.

## 3. Methodology

This study employed a **quantitative research design** using a **causal-associative approach**. This approach was selected because the primary objective of the study was to test the proposed hypotheses through statistical analysis of numerical data collected using structured questionnaires (Amruddin et al., 2022). Quantitative research focuses on the statistical analysis of numerical data, whereas associative research aims to examine causal relationships among two or more variables (Sugiyono, 2015). The proposed research model comprised four constructs. **Social Capital** and **Investment Literacy** were specified as the exogenous variables, **Sharia Financial Inclusion** served as the mediating variable, and **Participation in Blended Islamic Finance** was treated as the endogenous variable.

Using Lemeshow's formula (Budi, 2017) for the unknown population of Madura *pesantren* members, the minimum sample was 97. Questionnaires were distributed to 117 respondents; two were excluded, yielding 115 valid responses. Purposive sampling (Sugiyono, 2013) selected respondents affiliated with *pesantren* alumni organizations who use Islamic financial services and digital technologies regularly.

Primary data were collected using a structured questionnaire. Hypotheses were tested using PLS-SEM with SmartPLS 4 software, a method well-suited for analyzing complex models involving multiple latent constructs and indicators (Hair, Joseph & Alamer. 2022). In Structural Equation Modeling, Outer Model analysis is required to ensure adequate validity and reliability. The analysis thus comprised two stages: evaluating the measurement model (outer model) and the structural model (inner model).

Convergent and discriminant validity of each indicator with its construct were assessed using outer loading and AVE. Hair (2009) states convergent validity is achieved when outer loading exceeds 0.70 and AVE exceeds 0.50, while discriminant validity is met when the HTMT is below 0.90. Reliability is measured through Cronbach's Alpha and Composite Reliability, both considered reliable above 0.70. Subjective norms and impulsive buying showed Cronbach's Alpha of 0.60, deemed acceptable for explanatory research (Ursachi, A., et al. 2015). Beyond

the Outer Model, the Inner Model evaluates construct relationships via R-Square, Goodness of Fit, and F-Square. (Cohen, 1988) classifies R-Square as weak (0.02–0.25), moderate (>0.25–0.50), or strong (≥0.75); F-Square as low (≤0.02), moderate (≤0.15), or strong (≤0.35); and SRMR must remain below 0.10.

Hypothesis testing is conducted through Path Coefficients for direct effects and Specific Indirect Effect with Bootstrapping for indirect effects. Significance is determined based on P Values; a value < 0.05 indicates a significant effect or mediation, while > 0.05 indicates neither significance nor mediation.

## 4. Result and Discussion

This section presents the results of processing respondents' questionnaires using established analysis procedures, measuring each construct to form a basis for discussion. Using the Lemeshow formula with purposive sampling, a minimum of 97 respondents was required; 117 were obtained, though 2 were excluded for not meeting the criteria, yielding 115 valid respondents. These respondents represented Islamic boarding school communities across the four regencies of Madura, with the largest proportion from Bangkalan (42.61%), followed by Sampang (22.61%), Sumenep (18.26%), and Pamekasan (16.52%), indicating that the sample adequately represents the geographical distribution of *pesantren* communities across Madura.

In addition to the characteristics of respondents regarding the distribution of *pesantren* and access to sharia financial services, this section presents a tabulation of questionnaire responses for each research variable using a scale of 1 to 4. This presentation aims to illustrate response tendencies as an initial basis before comprehensive and systematic advanced statistical analysis is conducted.

**Table 1. Descriptive Statistics of the Social Capital Variable (X1)**

| Indicators | Sampel | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| X1.1 | 115 | 2 | 4 | 3,548 | 0,581 |
| X1.2 | 115 | 2 | 4 | 3,53 | 0,551 |
| X1.3 | 115 | 2 | 4 | 3,539 | 0,566 |
| X1.4 | 115 | 1 | 4 | 3,522 | 0,612 |
| X1.5 | 115 | 1 | 4 | 3,53 | 0,597 |
| X1.6 | 115 | 1 | 4 | 3,522 | 0,612 |
| X1.7 | 115 | 2 | 4 | 3,591 | 0,544 |

*Source: Processed primary data, 2026*

Mean scores across indicators ranged from 3.522 to 3.591, reflecting high social capital, with X1.7 highest and X1.4/X1.6 lowest, though differences were minor, showing consistent perceptions. Standard deviations ranged from 0.544 to 0.612, indicating low dispersion and homogeneous responses, minimum values ranged from 1–2 and maximum values reached 4, reflecting full scale usage.

Table 2 shows Investment Literacy indicators with means ranging from 3.478 to 3.687, indicating high perceptions; X2_8 scored highest, while X2_4 and X2_6 scored lowest, with standard deviations between 0.541 (X2_2) and 0.667 (X2_9), reflecting low variation and consistent responses. Table 3 shows Islamic Financial Inclusion indicators with means above 3.20, reflecting high agreement; Z1_3 recorded highest mean (3.565) and lowest standard

deviation (0.498), whereas Z1_4 had lowest mean (3.278) and highest standard deviation (0.732), showing variability.

**Table 2. Descriptive Statistics for the Investment Literacy Variable (X2)**

| Indicators | Sampel | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| X2_1 | 115 | 1 | 4 | 3.626 | 0.599 |
| X2_2 | 115 | 2 | 4 | 3.609 | 0.541 |
| X2_3 | 115 | 1 | 4 | 3.548 | 0.639 |
| X2_4 | 115 | 1 | 4 | 3.478 | 0.640 |
| X2_5 | 115 | 1 | 4 | 3.539 | 0.582 |
| X2_6 | 115 | 1 | 4 | 3.478 | 0.612 |
| X2_7 | 115 | 1 | 4 | 3.583 | 0.662 |
| X2_8 | 115 | 1 | 4 | 3.687 | 0.568 |
| X2_9 | 115 | 1 | 4 | 3.487 | 0.667 |

*Source: Processed primary data, 2026*

**Table 3. Descriptive Statistics for the Islamic Financial Inclusion Variable (Z)**

| Indicators | Sampel | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Z1_1 | 115 | 1 | 4 | 3,383 | 0,670 |
| Z1_2 | 115 | 2 | 4 | 3,478 | 0,626 |
| Z1_3 | 115 | 3 | 4 | 3,565 | 0,498 |
| Z1_4 | 115 | 2 | 4 | 3,278 | 0,732 |

*Source: Processed primary data, 2026*

**Table 4. Descriptive Statistics for the Islamic Blended Finance Participation Variable (Y)**

| Indicators | Sampel | Mean | Minimum | Maximum | Std. Deviation |
|---|---|---|---|---|---|
| Y1_1 | 115 | 3.426 | 1 | 4 | 0.608 |
| Y1_2 | 115 | 3.426 | 2 | 4 | 0.636 |
| Y1_3 | 115 | 3.409 | 2 | 4 | 0.674 |
| Y1_4 | 115 | 3.339 | 1 | 4 | 0.661 |
| Y1_5 | 115 | 3.513 | 2 | 4 | 0.536 |

*Source: Processed primary data, 2026*

As shown in table 4, all indicators of variable Y show mean scores above 3.30 on a four-point Likert scale, reflecting high respondent agreement, with Y1_5 recording the highest mean (3.513) and Y1_4 the lowest (3.339). Standard deviations range from 0.536 to 0.674, indicating relatively homogeneous responses; Y1_5 shows the greatest consistency, while Y1_3 shows the highest, though still low, variation. Responses span the full scale (1 - 4), concentrated in categories 3 and 4, confirming the data's suitability for further SmartPLS analysis.

### 4.1 Validity and Reliability Test Results

Convergent validity, comprising outer loadings and reliability testing via SmartPLS 4, was examined for each questionnaire item across all constructed research indicators, and the results are as follows:

**Table 5. The outer loading values for each measurement indicator.**

| | Variable X1 | Variable X2 | Variable Y | Variable Z |
|---|---|---|---|---|
| **X1_1** | 0.788 | | | |
| **X1_2** | 0.715 | | | |
| **X1_3** | 0.796 | | | |
| **X1_4** | 0.798 | | | |
| **X1_5** | 0.823 | | | |
| **X1_6** | 0.840 | | | |
| **X1_7** | 0.748 | | | |
| **X2_1** | | 0.806 | | |
| **X2_2** | | 0.793 | | |
| **X2_3** | | 0.860 | | |
| **X2_4** | | 0.790 | | |
| **X2_5** | | 0.865 | | |
| **X2_6** | | 0.815 | | |
| **X2_7** | | 0.775 | | |
| **X2_8** | | 0.793 | | |
| **X2_9** | | 0.836 | | |
| **Y1_1** | | | 0.864 | |
| **Y1_2** | | | 0.812 | |
| **Y1_3** | | | 0.763 | |
| **Y1_4** | | | 0.791 | |
| **Y1_5** | | | 0.792 | |
| **Z1_1** | | | | 0.857 |
| **Z1_2** | | | | 0.830 |
| **Z1_3** | | | | 0.804 |
| **Z1_4** | | | | 0.851 |

*Source: primary data processed using Smart PLS 4*

**Table 6. HTMT Values for Discriminant Validity Assessment**

| | Variable X1 | Variable X2 | Variable Y | Variable Z |
|---|---|---|---|---|
| **Variable X1** | | | | |
| **Variable X2** | 0.898 | | | |
| **Variable Y** | 0.864 | 0.895 | | |

| | Variable X1 | Variable X2 | Variable Y | Variable Z |
|---|---|---|---|---|
| **Variable Z** | 0.865 | 0.841 | 0.899 | |

*Source: primary data processed using Smart PLS 4*

Beside on table, shows all outer loading values > 0.70 and all HTMT values below 0.90, confirming satisfactory validity. Reliability was assessed via Cronbach's Alpha and Composite Reliability, while AVE confirmed convergent validity, with SmartPLS 4 results in Table 7.

**Table 7. Outer Loadings of Questionnaire Items for Each Construct Indicator**

| | Cronbach's alpha | Composite reliability (rho_a) | Composite reliability (rho_c) | Average variance extracted (AVE) |
|---|---|---|---|---|
| **X1** | 0.898 | 0.902 | 0.920 | 0.621 |
| **X2** | 0.937 | 0.938 | 0.947 | 0.665 |
| **Y** | 0.864 | 0.866 | 0.902 | 0.648 |
| **Z** | 0.856 | 0.857 | 0.903 | 0.699 |

*Source: primary data processed using Smart PLS 4*

As shown the table, the AVE values for all constructs exceeded the recommended threshold of 0.50, confirming adequate convergent validity. Furthermore, Cronbach's Alpha and Composite Reliability values for all constructs were greater than 0.70, indicating satisfactory internal consistency. Therefore, all measurement instruments used in this study were considered reliable.

### 4.2 Results of R-Square Test (Coefficient of Determination), Goodness of Fit, and F-Square

The results of the Inner Model analysis in this study include the R-Square test, Goodness of FIT, and F-Square. A summary of the results of these three tests to assess the model is as follows:

**Table 8. R-Square and adjusted R-Square values of the endogenous constructs.**

| | R-square | R-square adjusted |
|---|---|---|
| **Variable Y** | 0.725 | 0.718 |
| **Variable Z** | 0.630 | 0.623 |

*Source: primary data processed using Smart PLS 4*

Based on Table 8, the R-Square value for Islamic Financial Inclusion (Z) was 0.630, indicating that 63.0% of its variance is explained by the exogenous variables, a moderate level according to Cohen (1988). Meanwhile, the R-Square for Participation in Islamic Blended Finance (Y) was 0.725, showing that 72.5% of its variance is explained by the exogenous variables together with the mediating variable, overall demonstrating strong explanatory power of the structural model for the endogenous construct. As shown in Table 9, As shown in Table 11, the SRMR value of 0.063 is below the 0.08 threshold, indicating that the proposed structural model exhibits satisfactory fit for hypothesis testing.

**Table 9. Goodness-of-Fit statistics of the proposed structural model**

| | Saturated model | Estimated model |
|---|---|---|
| **SRMR** | 0.063 | 0.063 |
| **d_ULS** | 1.296 | 1.296 |
| **d_G** | 0.988 | 0.988 |
| **Chi-square** | 570.587 | 570.587 |
| **NFI** | 0.765 | 0.765 |

*Source: primary data processed using Smart PLS 4*

**Table 10. F-Square (effect size) values for each structural relationship.**

| | Variable X1 | Variable X2 | Variable Y | Variable Z |
|---|---|---|---|---|
| **Variable X1** | | | 0.030 | 0.160 |
| **Variable X2** | | | 0.175 | 0.136 |
| **Variable Y** | | | | |
| **Variable Z** | | | 0.148 | |

*Source: primary data processed using Smart PLS 4*

F-Square results show Social Capital affects Islamic Financial Inclusion (0.160) more strongly than Investment Literacy (0.136), while Investment Literacy affects Participation in Islamic Blended Finance (0.175) more strongly than Social Capital (0.030), confirming both variables' moderate influence. Having met validity, reliability, R-Square, Goodness-of-Fit, and F-Square criteria, the models suit testing relationships among exogenous, mediating, and endogenous variables.

### 4.3 Hypothesis Test Results

Analysis Path Coefficients analysis to answer the research hypothesis, with Bootstraping test are required. The results of each test are as follows:

**Table 11. Tabulation of Path Coefficients Statistical Values**

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (\|O/STDEV\|) | P values |
|---|---|---|---|---|---|
| **X1 -> Y** | 0.174 | 0.179 | 0.106 | 1.634 | 0.102 |
| **X1 -> Z** | 0.432 | 0.435 | 0.102 | 4.246 | 0.000 |
| **X2 -> Y** | 0.414 | 0.412 | 0.099 | 4.178 | 0.000 |
| **X2 -> Z** | 0.398 | 0.401 | 0.104 | 3.829 | 0.000 |
| **Z -> Y** | 0.332 | 0.328 | 0.075 | 4.392 | 0.000 |

*Source: primary data processed using Smart PLS 4*

Based on the table, the P-Values of X1 against Y is 0.102. This figure indicates that variable X1 does not have a significant direct effect on variable Y because the value 0.102 > 0.05. However, if through variable Z, X1 has a significant effect as indicated by the P-Values of 0.00 < 0.05. The P-Values of X2 against Y is 0.00. This figure indicates that variable X2 has a

significant direct effect on variable Y because the value 0.00 < 0.05. Similarly, if through variable Z, X2 still has a significant effect as indicated by the P-Values of 0.00 < 0.05. Finally, the P-Values of Z against Y is 0.00 < 0.05, which means that variable Z has a significant direct effect on variable Y.

**Table 12. Tabulation of Specific indirect effects Statistical Values**

| | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics (\|O/STDEV\|) | P values |
|---|---|---|---|---|---|
| **X1 -> Z -> Y** | 0.143 | 0.144 | 0.050 | 2.856 | 0.004 |
| **X2 -> Z -> Y** | 0.132 | 0.132 | 0.046 | 2.875 | 0.004 |

*Source: primary data processed using Smart PLS 4*

In the table of specific indirect effects, the P-Values of X1 through Z to Y is 0.004 <0.05. This figure indicates that variable Z is able to mediate the effect of variable X1 on variable Y. Additionally, the P-Values of X2 through Z to Y is 0.004 < 0.05. This figure also indicates that variable Z is able to mediate the effect of variable X2 on variable Y.

Based on the entire series of hypothesis tests that have been conducted, both testing direct effects (path coefficients) and indirect effects (specific indirect effect) through Bootstrap testing, the results of the tests are as follows:

1. Hypothesis 1 is rejected, meaning social capital does not have a significant direct effect on the participation of blended Islamic finance in the *pesantren* community in Madura, based on the P-Values of X1 to Y being 0.102 > 0.05 in the path coefficients test.
2. Hypothesis 2 is accepted, meaning investment literacy has a significant direct effect on the participation of blended Islamic finance in the *pesantren* community in Madura, based on the P-Values of X2 to Y being 0.00 < 0.05 in the path coefficients.
3. Hypothesis 3 is accepted, meaning that the inclusion of sharia finance has a significant direct effect on the participation of blended Islamic finance in the *pesantren* community in Madura, based on the P-Values Z to Y of 0.00 < 0.05 path coefficients.
4. Hypothesis 4 is accepted, meaning that social capital has a significant effect through the inclusion of sharia finance on the participation of blended Islamic finance in the *pesantren* community in Madura, based on the P-Values X1 through Z to Y of 0.00 <0.05 path coefficients.
5. Hypothesis 5 is accepted, meaning that investment literacy has a significant effect through the inclusion of sharia finance on the participation of blended Islamic finance in the *pesantren* community in Madura, based on the P-Values X2 through Z to Y of 0.00 <0.05 path coefficients.
6. Hypothesis 6 is accepted, meaning that sharia financial inclusion can mediate the relationship between social capital and participation in blended Islamic finance in the *pesantren* community in Madura, based on the P-Values of X1 through Z to Y being 0.004 < 0.05 in the specific indirect effects test.
7. Hypothesis 7 is accepted, meaning that sharia financial inclusion can mediate the relationship between investment literacy and participation in blended Islamic finance in the *pesantren* community in Madura, based on the P-Values of X2 through Z to Y being 0.004 < 0.05 in the specific indirect effects test.

## 5. Conclusion

Based on the presentation we have discussed in the research results and discussion, the conclusions of this study are as follows:

Social capital has no significant direct effect on blended Islamic finance participation among Madura's *pesantren* community, showing it alone cannot drive participation without adequate access to and use of sharia financial services. However, social capital significantly affects participation indirectly through sharia financial inclusion, meaning its effect is meaningful only when inclusion is well supported.

Investment literacy significantly and directly affects blended Islamic finance participation among the *pesantren* community in Madura, as higher literacy fosters more rational investment decisions. It also significantly affects participation indirectly through sharia financial inclusion, indicating that literacy becomes more effective in enhancing participation when financial inclusion is strengthened.

Sharia financial inclusion has a significant direct impact on the participation of blended Islamic finance in the *pesantren* community in Madura. The meaning of this conclusion is that the increase in sharia financial inclusion directly expands community participation in utilizing blended Islamic finance schemes.

Sharia financial inclusion mediates the relationships between social capital and investment literacy with participation in blended Islamic finance among the *pesantren* community in Madura. This indicates that sharia financial inclusion serves as an important mechanism significantly linking social capital to increased participation, while also further strengthening investment literacy's influence on greater overall participation in blended Islamic finance.

This study reflects conditions at a single point in time, limiting insight into how community participation evolves amid global financial risk dynamics; moreover, participation was measured through respondents' perceptions and intentions rather than actual behavior in implementing Islamic blended finance. Future research should therefore employ longitudinal or mixed-methods designs to capture behavioral changes across phases of global economic uncertainty, integrating perception data with real implementation evidence to strengthen blended Islamic finance as an instrument for inclusive, resilient, and sustainable community development. Respondents should also be expanded to include regulators, Islamic financial institutions, zakat and waqf managers, investors, and local governments, yielding more comprehensive policies. This research is hoped to contribute to economic and financial resilience models for the Madurese community.

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