

# Integrating Rationality And Religiosity In Financial Literacy Education: Strengthening Investment Awareness And Preventing Illegal Online Lending At Tahfiz Al-Qur'an Izzudin Islamic Boarding School

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## Abstract.

The rapid expansion of financial technology in Indonesia has stimulated a surge of interest in digital investment. However, this progress has not been matched by a proportional improvement in financial literacy, resulting in the increasing prevalence of illegal investment schemes and unregulated online lending practices. Although national data show a sharp rise in the number of investors in 2021, the trend has declined steadily from 2022 to 2025, accompanied by fluctuating growth in illegal financial activities. This phenomenon indicates a critical imbalance between access to digital financial platforms and the ability of individuals to manage the associated risks responsibly. Most existing financial literacy initiatives focus primarily on economic rationality, overlooking the moral and spiritual dimensions that strongly influence decision-making in religious-based educational settings. Addressing this limitation, the present community service program was designed to integrate rational and religious approaches in developing ethical and prudent financial behavior among students of Pesantren Tahfiz Al-Qur'an Izzuddin Palembang. The implementation involved interactive lectures, case-based discussions, and simulations, evaluation through pre-test and post-test assessments to measure participants' learning progress. The results demonstrated a notable improvement in understanding digital financial risks and awareness of illegal investment practices after the intervention. This initiative underscores the significance of combining rational, educational, and religious perspectives to strengthen financial literacy resilience in the digital era, particularly within faith-based learning environments. The model developed through this program offers a sustainable approach to preventing illegal financial activities while fostering financially literate and ethically conscious youth.

**Keywords:** Financial Literacy; Illegal Investment; Illegal Online Lending; Rationality; Religiosity and Islamic Boarding School.

## I. INTRODUCTION

Investment is an activity of allocating a certain amount of funds with the expectation of obtaining future returns [1]. The primary objective of investment is to grow assets and generate income from the invested capital. Generally, investments can be classified into two types: real assets and financial assets [2]. Real asset investments include property, gold, or machinery, while financial asset investments involve financial instruments such as stocks, mutual funds, bonds, and other securities [1]. Individuals or entities engaging in such activities are referred to as investors, who allocate capital in the expectation of future profit generation.

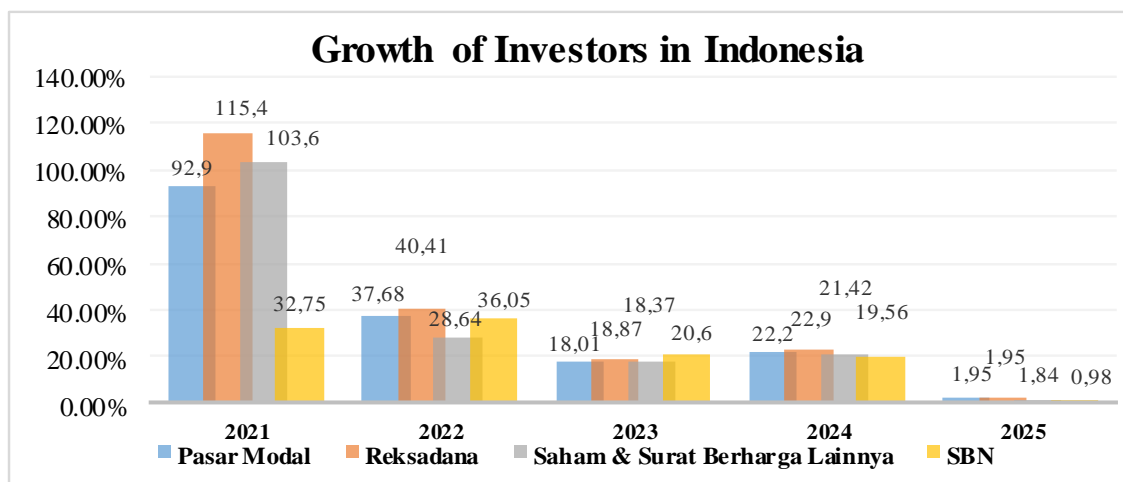
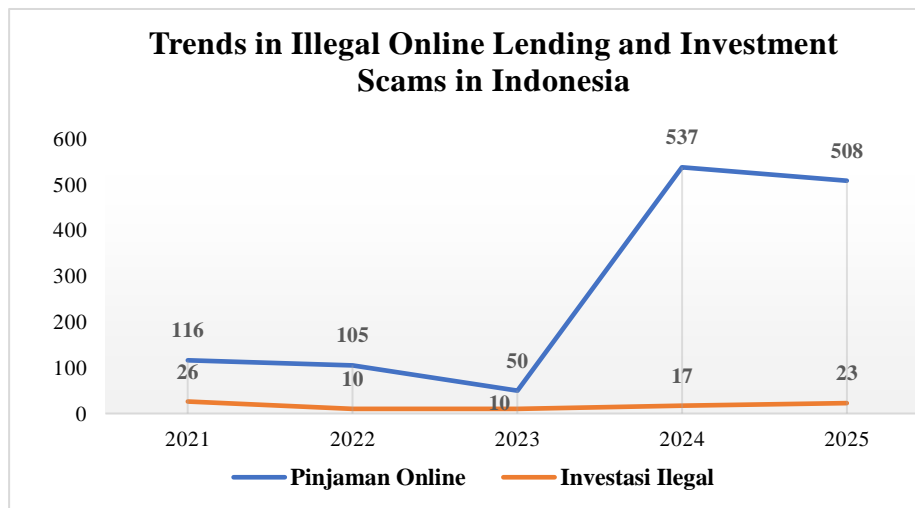


Fig 1. Growth of Investors in Indonesia

Source: [3]

Data on investor growth in Indonesia over the past five years indicate that 2021 recorded the highest increase in investors across all investment instruments [3]. However, from 2022 to 2025, the number of investors showed a declining trend. The most significant decrease occurred in 2022 compared to the previous period, followed by a continued decline in 2023. In 2024, a slight recovery was observed, although the growth was not substantial. By 2025, investor growth reached its lowest point in the last five years. The capital market and mutual fund investors grew by 1.95%, stock and securities investors by 1.84%, while government bond (SBN) investors recorded a growth rate of only 0.98%. In investment activities, investors face two possible outcomes: gain or loss [1]. Profits can take the form of asset appreciation, additional income such as dividends or interest, and the achievement of long-term financial goals. Moreover, successful investments can protect wealth from inflation and contribute to financial stability. Nevertheless, investment inherently carries risks. Asset values may decline due to market fluctuations, economic conditions, or factors such as liquidity and credit risk.

These risks may reduce the initial capital, and in some cases, lead to total financial loss. Therefore, investors must understand their risk profile, diversify their portfolios, and conduct thorough analyses before making investment decisions [4]. Some investors employ debt financing or borrowing as a strategy to expand their assets. Although this approach can accelerate asset growth and enhance returns, it also involves considerable financial risk [4]. If investments underperform or fail to yield the expected income, the investor remains obligated to service debt payments and interest, potentially leading to financial distress or even default. In several cases, the borrowed funds originate from illegal online lending platforms with excessively high interest rates and no regulatory oversight. Illegal investments—commonly referred to as *investment scams*—are unlicensed by the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK). Such schemes are often promoted by individuals or entities promising unrealistic profits within a short period, typically claiming to be “risk-free” [5]. Comparative analysis of financial technology (fintech) development between Indonesia and Malaysia shows that Malaysia possesses a more structured and comprehensive regulatory framework, while Indonesia is still in the process of strengthening regulations through OJK directives [6].



**Fig 2.** Trends in Illegal Online Lending and Investment Schams in Indonesia

Source: [7]

Data from 2021 to 2025 reveal fluctuating trends in the number of illegal online lending (pinjol) and fraudulent investment entities identified by OJK’s Task Force [7]. In 2021, 116 illegal online lending platforms were recorded. The number decreased in 2022 and reached its lowest point in 2023, with only 50 entities identified. However, in 2024, the number surged dramatically to 537 entities before slightly declining to 508 in 2025. Similarly, illegal investment schemes exhibited variation: 26 entities in 2021, a decrease to 10 entities in 2022 and 2023, then a rise to 17 in 2024, and 23 in 2025. These fluctuations demonstrate that illegal financial activities continue to evolve and pose a serious challenge to Indonesia’s digital financial ecosystem. Therefore, sustained regulatory monitoring, public education, and cross-sector collaboration are essential to minimize the adverse effects of such practices and safeguard the integrity of the national

financial system. The growing prevalence of illegal lending and fraudulent investments has had significant socioeconomic consequences. As indicated by [8], investment frauds employ unclear and non-transparent schemes, posing high risks of financial loss. Their deceptive nature often targets individuals with limited financial literacy, leading to complete capital loss. Similarly, illegal online lending services offer fast, collateral-free loans but impose extremely high interest rates and abusive collection practices [8]. As a result, borrowers often experience severe financial hardship and are unable to repay their debts. Beyond individual losses, these phenomena erode public trust in legitimate financial institutions and threaten broader economic stability.

To address this issue, an educational and awareness program was conducted for students of Pesantren Tahfizh Al-Qur'an Izzuddin Palembang, focusing on the risks of illegal investments and unregulated online lending. The program adopted a rational and religious-based approach, selected due to the pesantren's strategic location near Palembang City and its strong emphasis on moral and spiritual education. This setting aligns with the program's objective of cultivating financial prudence and ethical awareness among youth in the face of digital financial temptations. Founded in 2011, Pesantren Tahfizh Al-Qur'an Izzuddin Palembang is committed to nurturing a generation of qualified Qur'an memorizers (*hafiz*) through two main programs: the regular program, targeting memorization from 3 to 30 *juz*, and the specialized program (*takhosus*), aimed at advanced students memorizing 10 to 30 *juz*. Both programs are structured with systematic learning methods and intensive mentoring by experienced teachers and *ustadz*. Based on this contextual analysis, this community service initiative seeks to broaden students' understanding of illegal financial activities and promote financial literacy resilience through the integration of rationality and religiosity. Prior studies [9] demonstrated that before financial education interventions, only 85% of students understood digital literacy related to online loans, while after the program, understanding increased to 95%. This finding supports the need for continuous education aligned with the recommendations of OJK's Investment Alert Task Force (Satgas Waspada Investasi / Satgas PASTI), which consistently reminds the public to remain vigilant against fraudulent schemes, particularly those disguising themselves as digital investment or financial services [10].

## II. METHODS

The Community Service Program (PKM) conducted at *Pesantren Tahfizh Al-Qur'an Izzuddin Palembang* was designed with students as the primary participants, aiming to provide a comprehensive understanding of the risks associated with illegal financial investments and the increasing prevalence of illegal online lending. These issues have become more widespread in society, particularly among younger generations, including students. The program adopted an interactive and participatory learning approach that integrated rational financial thinking with religious values, ensuring that the educational content was both relevant and well-received by participants from a religious educational environment. Implemented on October 13, 2025, in Palembang City, the program employed multiple instructional methods, including lectures, tutorials, discussions, and simulations. Through the lecture sessions, participants were introduced to the fundamental concepts of financial investment risks and the dangers of illegal online lending, complemented by real-life examples such as fraudulent investment schemes to enhance comprehension. The tutorial sessions provided illustrative examples of various types of financial investments and guided participants in making safe and informed investment decisions, while also emphasizing the significant risks associated with using illegal online loans as a source of funding. The simulation sessions involved practical exercises in stock trading transactions, enabling students to experience firsthand how investment processes operate in a controlled learning environment. Moreover, the discussion and simulation activities encouraged students to think critically and to apply ethical and religious values when making financial decisions. In addition to the main learning activities, interviews were conducted with three selected participants to validate the outcomes of the program.

The findings revealed a noticeable increase in awareness regarding the importance of lawful and secure investment practices, along with heightened caution toward illegal online lending schemes. Participants expressed a deeper understanding of how financial literacy contributes to long-term financial well-being and recognized the potential dangers posed by illegal lending practices that are frequently

promoted through social media platforms. The implementation of this community service activity employed methods similar to those used in the following study [11]. The method applied was a financial simulation game, which effectively enhanced participants' understanding of financial recordkeeping. Evaluation results indicated a significant improvement in financial knowledge after the training [11]. To evaluate the effectiveness of the program, a structured evaluation process was carried out through the implementation of pre-test and post-test assessments. The pre-test, consisting of ten questions related to investment risks and illegal online lending, was administered before the educational sessions, while the post-test was conducted afterward to measure participants' improvement in understanding. The same method was also applied in the community service activity conducted in Bangah, Sidoarjo [12]. The results showed a significant increase in post-test scores compared to the pre-test outcomes, indicating a substantial improvement in students' financial literacy and awareness. The evaluation further revealed that participants were able to explain financial risk concepts in their own words, identify the dangers of illegal online lending, and demonstrate initial interest and practical skills in managing personal finances. These findings confirm that the program's objectives were successfully achieved, highlighting the effectiveness of combining rational and religious approaches in strengthening financial understanding within religious-based educational environments.



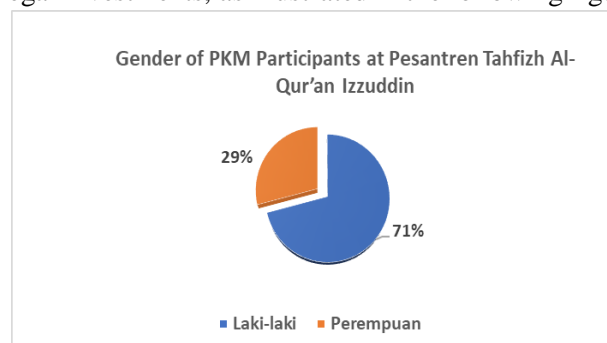
**Fig 3.** PKM Activities in Pesantren Tahfizh Al-Qur'an Izzuddin Palembang

The video of PKM Activities is available at the link below:

[https://drive.google.com/drive/folders/1Uzv\\_WmD4guI9kpWKRhbZSyz0o0yEy8xO](https://drive.google.com/drive/folders/1Uzv_WmD4guI9kpWKRhbZSyz0o0yEy8xO)

### 2.1 Characteristic Participants

The Community Service (PKM) activity held at Pesantren Tahfizh Al-Qur'an Izzuddin Palembang was attended by 31 students, consisting of 22 male students and 9 female students. The composition indicates that male students dominated the activity, reflecting the general characteristics of Islamic boarding schools, where the number of male students is typically higher than that of females. The active participation of the students demonstrated their enthusiasm and awareness of the importance of financial literacy and understanding the risks of illegal investments, as illustrated in the following figure.

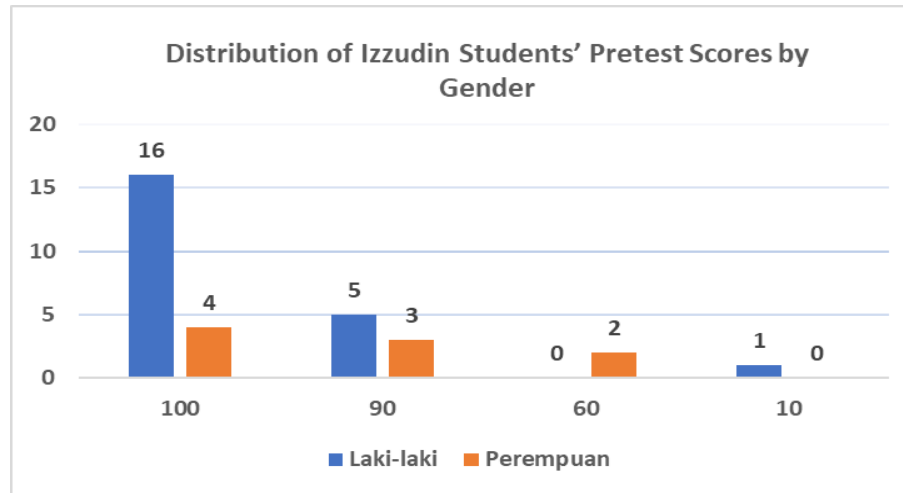


**Fig 4.** Gender of PKM Participants

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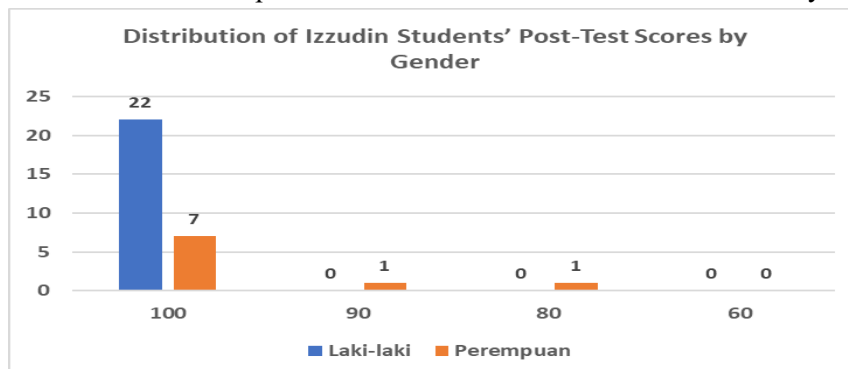
### III. RESULT AND DISCUSSION

The community service activity conducted at Pesantren Tahfizh Al-Qur'an Izzuddin Palembang was successfully implemented with active participation from all students involved. The results of the evaluation, measured through pre-test and post-test assessments, clearly demonstrate a significant improvement in students' understanding of the topics presented, namely the risks of illegal investments and the dangers of illegal online lending.



**Fig 5.** Distribution of Izzudin Students' Pretest Scores

The pre-test results revealed that the majority of students had limited initial knowledge regarding these financial issues. Out of the total participants, 11 students scored below 100, with 8 students scoring 90, 2 students scoring 60, and 1 student scoring 10. These results indicate that before receiving the educational materials, students' awareness and comprehension of financial risks were still relatively low.



**Fig 6.** Distribution of Izzudin Students' Post-Test Scores

After the educational sessions which included lectures, discussions, and case-based explanations the post-test results showed a remarkable improvement. Only 2 students scored below 100, with 1 student achieving a score of 90 and 1 student scoring 80. This means that 94% of participants achieved a perfect score of 100, signifying a substantial increase in understanding. Furthermore, the comparison between pre-test and post-test results clearly indicates that the objectives of this community service program were successfully achieved. The notable improvement in students' scores confirms that the educational methods applied were effective in increasing their financial awareness and understanding of investment risks. These findings are consistent with previous studies [2], which emphasize that financial literacy positively influences individuals' understanding and awareness of investment behavior. Similarly, research [4] also highlights that financial literacy significantly affects investment decision-making. Together, these results reinforce the importance of integrating financial education especially when combined with rational and religious approaches in strengthening students' capacity to make informed and ethical financial decisions. Financial literacy is not only essential for students but can also be extended to other groups, such as housewives. According to research [13], financial literacy significantly influences investment decision-making and helps housewives in managing and diversifying their investment portfolios.



Furthermore, research [14] reveals that financial literacy has a direct positive effect on agents' performance, emphasizing its broader role in enhancing both individual financial management and professional effectiveness. Strengthening financial literacy from an early age especially among high school students is essential to equip them with the ability to manage personal finances effectively, understand investment principles, and adapt to the rapid development of financial technology (fintech) [15]. Therefore, financial literacy education should be seen as a continuous and inclusive effort that contributes not only to individual well-being but also to the development of a financially resilient society. Moreover, financial literacy is equally significant for Micro, Small, and Medium Enterprises (MSMEs) [16], which play a vital role in national economic development. Research findings demonstrate that MSME actors must enhance their capacity to develop responsible financial planning and investment strategies, positioning financial literacy as a foundational element in improving risk awareness and decision-making ability. By integrating financial literacy into business practices, MSMEs can strengthen financial resilience, optimize resource allocation, and ensure sustainable business growth. In the long term, fostering financial literacy among MSME actors is expected to reduce vulnerability to financial fraud, improve access to formal financial institutions, and promote ethical and informed financial behavior within the broader entrepreneurial ecosystem [16].

This improvement aligns with the effectiveness of the interactive and participatory learning approach implemented in the community service program, which combined financial rationality with religious values. Through this integrated approach, students were not only able to comprehend financial concepts more deeply but also developed heightened awareness of ethical and responsible financial decision-making. Overall, the outcomes confirm that the community service activity successfully enhanced financial literacy and financial awareness among the students of *Pesantren Tahfizh Al-Qur'an Izzuddin Palembang*, while also reflecting the broader relevance of financial education for various societal and economic sectors.

#### IV. CONCLUSION

The community service program implemented at *Pesantren Tahfizh Al-Qur'an Izzuddin Palembang* has proven to be effective in enhancing students' understanding of financial literacy through the integration of rationality and religiosity. The results of the pre-test and post-test demonstrated a substantial improvement in students' comprehension levels, with 94% achieving perfect scores after the educational intervention. This outcome indicates that the combination of rational financial reasoning and religious-based education successfully strengthened students' awareness of the risks associated with illegal investments and online lending. The rational approach encouraged analytical thinking, logical assessment of financial risks, and evidence-based decision-making, while the religious approach nurtured ethical awareness, honesty, and a sense of moral responsibility in managing finances values that are deeply embedded in Islamic teachings.

Together, these approaches fostered a holistic learning experience that not only enhanced cognitive understanding but also shaped moral integrity and responsible behavior. The significant improvement between pre-test and post-test results affirms that the objectives of this community service program were successfully achieved. It also highlights the effectiveness of integrating rational and spiritual perspectives in financial education to cultivate a deeper, value-based understanding among students. In summary, this program not only elevated students' financial knowledge but also cultivated a balanced mindset that harmonizes intellect and faith in financial decision-making. Such an approach is vital in preparing a generation of *santri* who are not only financially literate but also ethically conscious, resilient, and capable of contributing wisely to the broader society in the digital financial era.

#### V. ACKNOWLEDGMENTS

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gratitude to the Institute for Research and Community Service (LPPM) of Sriwijaya University for their financial support, guidance, and facilitation throughout the implementation of this program. The contribution and trust given by LPPM were instrumental in ensuring the smooth execution and valuable outcomes of this activity. This community service program was carried out through a strong spirit of collaboration, dedication, and shared commitment to enhancing financial literacy and ethical awareness among students in Islamic educational institutions. It is expected that this initiative will inspire similar programs in other pesantren, fostering a harmonious balance between rational financial understanding and religious values as the foundation for wise, responsible, and ethical economic behavior in the future. Furthermore, this program can be further developed through subsequent community service activities focusing on the practice of safe and ethical financial investment.

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