The Intention to Use Islamic Banking Products Among Gen Z: An Exploratory Study to Measure Islamic Financial Literacy"

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This research investigates the factors that influence the intention to use Sharia banking services among Generation Z in Indonesia, with a particular focus on Sharia financial literacy and attitudes towards Sharia banks. Using a qualitative research design, data was collected through a literature study reviewing articles that examined Generation Z's intentions to use Sharia banking services. The research results show that Generation Z's intention to use Sharia financial services is influenced by Sharia financial literacy, attitudes towards Sharia banks, costs and benefits, and the reputation of Sharia finance. These findings highlight the importance of promoting Sharia financial literacy and fostering positive attitudes towards Sharia banking among Generation Z in Indonesia. The results provide valuable insights for developing more effective marketing strategies for Sharia banking services and improving Sharia financial education targeting the younger generation. Ultimately, this research contributes to the sustainable growth of the Islamic banking sector in Indonesia and strengthens the younger generation's understanding and commitment to the principles of Islamic finance.

Keywords: ***Islamic banking, Generation Z, Indonesia, Islamic financial literacy***

INTRODUCTION

Islamic banking services have gained increasing attention in recent years as a viable alternative to conventional banking. With a growing number of people seeking financial products and services that align with their religious beliefs, Islamic banking has emerged as a promising option that offers ethical and socially responsible financial solutions. However, despite the growing popularity of Islamic banking, there is still a lack of understanding about the factors that influence the intention to use these services, particularly among the generation Z population in Indonesia.

To address this research gap, this study aims to explore the factors that influence the intention to use Islamic banking services among the generation Z population in Indonesia. By examining the role of Islamic financial literacy, awareness, cost and benefit, reputation, attitude towards Islamic banks, and intention to use Islamic banking services, this study provides insights into the factors that shape the decisionmaking process of potential customers. The findings of this study have practical implications for policymakers, financial institutions, and individuals interested in Islamic banking services, as they can inform the development of effective strategies to promote the use of these services and enhance financial inclusion in the generation Z population in Indonesia.

METHOD

The research method employed in this article involves a literature study that examines articles related to factors influencing the intention to use islamic banking products among Gen Z, awareness, reputation, cost and benefits, and attitude toward islamic banks. The findings from this examination can serve as a basis for Islamic banks in Indonesia to develop strategies to attract more customers and increase the intention to use their services. The study provides insights into the factors that influence the intention to use Islamic banking services among Gen Z in Indonesia, including Islamic financial literacy, awareness, cost and benefit, reputation, and attitude towards Islamic banks. The study also highlights the mediating role of attitude towards Islamic banks in the relationships between the independent variables and the intention to use Islamic banking services. Therefore, the findings can be used by Islamic banks to improve their services, increase awareness, and build a good reputation to attract more customers. Additionally, the findings can be used by policymakers and regulators to promote Islamic banking services and create a favorable environment for their growth and development.

This study investigates the factors influencing the intention to use Islamic banking services among Generation Z in Indonesia, with a specific focus on Islamic financial literacy and attitude towards Islamic banks. Using a qualitative research design, data was collected through a literature review of articles examining the intention of Generation Z to use Islamic banking services. The findings of the study indicate that the intention of Generation Z to use Islamic financial services is influenced by Islamic financial literacy, attitude towards Islamic banks, costs and benefits, and the reputation of Islamic finance. These findings highlight the importance of promoting Islamic financial literacy and fostering a positive attitude towards Islamic banks among Generation Z in Indonesia. The results provide valuable insights for the development of more effective marketing strategies for Islamic banking services and the enhancement of Islamic financial education targeting the younger generation. Ultimately, this research contributes to the sustainable growth of the Islamic banking sector in Indonesia and strengthens the understanding and commitment of the younger generation to Islamic financial principles.

RESULTS

This paper is guided by the Theory of Planned Behavior, a well-known psychology theory that looks at why people do things by focusing on what they intend to do. We're using this theory to understand why Gen Z might or might not want to use Islamic banking products. The theory helps us explore their feelings about it, what their friends and family might think, and whether they feel in control of using these financial products. By using this theory, we hope to uncover the psychological factors influencing Gen Z's decisions on embracing Islamic banking, adding a deeper layer to our study.

1. Theory of Planned Behaviour

   (Siqueira and others, 2022).According to Ajzen (2001), the Theory of Planned Behavior (TPB) is an educational theory that focuses on an individual's study of their behavior using a numerical approach to reach their goals and objectives. According to this theory, background is a factor that significantly influences an individual's decision to pursue a particular course of action. The first factor is personal, which includes behaviors related to self-control, emotions, intelligence, personality, and lifestyle; the second factor is information, which includes media-related knowledge, learning, and social interaction; the third factor is social, which includes interactions with friends, family, coworkers, ethnicity, religion, and personal growth (Ajzen, 2005).

2. Intention of Generation Z to use Islamic Bank Products

   According to the theory, Generation Z is influenced by several factors such as awareness, attitude towards Islamic banks, reputation, and Islamic financial literacy that they have.

3. Theory of Consumer Awareness

   The brand awareness model is rooted in a number of marketing theories that involve the interaction between external stimuli, consumer perception, and consumer response. In this context, brand awareness is seen as the initial stage in the consumer's journey towards purchase, which can then involve brand recognition, brand knowledge, brand associations, perceived quality, and ultimately brand loyalty. This concept is related to brand value and brand equity, as well as how consumers process brand information through central or peripheral routes. Marketing objectives often include achieving a "top of mind" position among consumers, where the brand is the first to come to mind when faced with a particular product or service category. Brand awareness, therefore, serves as the foundation for building a deeper relationship between the brand and the consumer.

4. Attitude towards Islamic Banking

The attitude of Generation Z towards Islamic banking is crucial as it reflects their values, technology preferences, and ethical considerations. Gen Z, seeking alignment with ethical practices, may find appeal in the Sharia-compliant principles of Islamic banking. Their tech-savvy nature encourages a positive response to innovative digital services. Financial literacy, social influences, and trust in the reputation of Islamic banks play pivotal roles in shaping their attitude. This positive attitude is significant for fostering long-term customer relationships, contributing to the growth and innovation of the Islamic finance sector, and aligning with Gen Z's interest in social impact and ethical finance. Understanding and positively influencing Gen Z's attitude towards Islamic banking are vital for the sector's sustained relevance and growth.

5. Islamic Financial Literacy

Sharia financial literacy is the ability to understand and implement sharia financial concepts and to be able to use and manage finances in accordance with sharia principles. Sharia financial literacy plays an important role in choosing and using sharia financial products according to needs, and if the community has a high level of sharia financial literacy, it can accelerate the economic development of a nation (Adiyanto, MR, Purnomo, ASD, & Setyo, A. (2021)). Sharia compliance and personal reasons are the main factors behind the interest in becoming customers of Islamic banks. Research findings suggest that Islamic bank operators need to engage in extensive promotion to ensure that the public has comprehensive knowledge about Islamic banking (Ismanto, K. (2018)).

6. Cost and Benefit

Costs and benefits play a pivotal role in influencing individuals' interest in using products or services from Islamic banks. The costs, including agency fees in transactions such as wakalah, and profit-sharing arrangements in products like mudarabah and musharakah, shape the financial considerations of potential customers. On the other hand, the benefits of Islamic banking, such as adherence to Sharia principles, ethical transparency, innovative financial products, and fair profit distribution, appeal to individuals seeking financial solutions aligned with Islamic values. The awareness and financial education of customers regarding Islamic banking practices further contribute to their interest. By carefully weighing these costs and benefits, individuals can make informed decisions that align with their financial needs and values, fostering a connection with Islamic banking products and services.

7. Reputation

Reputation is also a crucial factor that influences someone's interest in using products or services from Islamic banks. The reputation of an Islamic bank, which includes integrity, transparency, and adherence to Sharia principles, can create trust and confidence in customers. If an Islamic bank is known as a financial institution that prioritizes Islamic ethical values and has a good track record in providing fair and transparent services, this can be a positive incentive for potential customers to choose that bank. In the Islamic banking environment, which is highly dependent on trust, reputation can be a significant determinant in attracting interest and building long-term relationships between Islamic banks and their customers.

DISCUSSION

Awareness' effect to intention to use islamic bank products among Gen Z

The inclination of Muslim individuals to utilize Islamic banks is significantly influenced by their subjective norms, level of awareness, and attitudes (Pantari, E. D., & Aji, H. M. (2020)). The previous research revealed a noteworthy and positive impact of awareness on the intention to use Islamic banking services. This suggests that individuals with a higher awareness of Islamic banking services are more inclined to consider using them. Consequently, the level of awareness among potential customers significantly influences their intention to use Islamic banking services. As a result, it is recommended that Islamic banks prioritize efforts to enhance awareness about their products and services, as this can lead to an increased customer base and a heightened intention to use Islamic banking services (Albaity, Rahman 2019).

Islamic financial literacy's effect into the usage of islamic banking products among Gen Z

There is a positive impact of Sharia financial literacy on the interest in using Sharia banking products (Adiyanto, MR, Purnomo, ASD, & Setyo, A. (2021)). Albaity found that Islamic financial literacy (IFL), awareness, cost and benefit, reputation, and attitude towards Islamic banks significantly influenced the intention to use Islamic banking services. The results showed that IFL had a positive and significant effect on the intention to use Islamic banking services. Awareness also had a positive and significant effect on the intention to use Islamic banking services, indicating that people who are more aware of Islamic banking services are more likely to use them. Religious motifs become the most important factor for customers of Islamic banks in Banda Aceh in choosing Islamic banks as their financial institutions (Yulianti, 2015).

Attitude towards Islamic Banks' effect to intention to use islamic bank products among Gen Z

The study also examined the mediating role of attitude towards Islamic banks in the relationships between the independent variables and the intention to use Islamic banking services. The results showed that attitude towards Islamic banks had a strong mediating effect between the independent variables and the intention to use Islamic banking services. This means that the relationships between IFL, cost and benefit, awareness, and reputation and the intention to use Islamic banking services were significantly influenced by attitude towards Islamic banks (Albaity, Rahman (2019)).

Attitude is directly influenced by Shariah compliance and individualism, while intention is indirectly affected by attitude through mediation (Kaakeh, A., Hassan, M.K.(2019)). The results indicate that customers of Islamic banks place a high importance on adherence to Sharia principles, and any failure to comply with these principles leads to dissatisfaction among customers. It is noteworthy that if an Islamic bank repeatedly violates Sharia principles, customers are likely to switch to another bank. However, the study also reveals that Sharia compliance is not the only factor that determines customer satisfaction with Islamic banks; customers also expect convenience, technological advancements, and the security of their funds(Lee, K. and Ullah, S. (2011)).

Cost and Benefit's effect to intention to use islamic bank products among Gen Z

The study also found that cost and benefit had a negative and significant effect on the intention to use Islamic banking services. This suggests that people who perceive the cost and benefit of Islamic banking services to be unfavorable are less likely to use them. Reputation had a positive and significant effect on the intention to use Islamic banking services, indicating that people who perceive Islamic banks to have a good reputation are more likely to use them (Albaity, Rahman (2019)).

Reputation's effect to intention to use islamic bank products among Gen Z

According to Albaity, reputation is a crucial factor that influences both the attitude towards Islamic banks and the intention to use their services. The findings indicated that reputation had a significant and positive impact on the intention to use Islamic banking services. This implies that customers are more inclined to use Islamic banking services if they perceive the bank to have a favorable reputation. Therefore, it is recommended that Islamic banks prioritize building and maintaining a good reputation to attract more customers and increase their intention to use Islamic banking services.

CONCLUSION

In conclusion, this study provides insights into the factors that influence the intention to use Islamic banking services among the generation Z population in Indonesia. The study findings suggest that Islamic banks should focus on increasing awareness and improving the cost and benefit of their services to attract more customers. Additionally, Islamic banks should work on building a good reputation to increase the intention to use their services. Finally, the study highlights the importance of attitude towards Islamic banks in influencing the intention to use Islamic banking services.

These findings underscore the importance of promoting Islamic financial literacy and cultivating a positive attitude towards Islamic banks among Generation Z in Indonesia. The results provide valuable insights for the development of more effective marketing strategies for Islamic banking services and the enhancement of Islamic financial education targeted at the younger generation. Ultimately, this study contributes to the sustainable growth of the Islamic banking sector in Indonesia and strengthens the understanding and commitment of the younger generation towards Islamic financial principles.

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