

ISLAMIC FINANCIAL LITERACY IN THE DIGITAL ERA: A PHENOMENOLOGICAL EXPLORATION OF GENERATION Z IN INDONESIA

Annisatul Ainiyah

Universitas Diponegoro
annisatulainiyah7@gmail.com

ABSTRACT

KEYWORDS

Islamic financial literacy, Generation Z, Islamic economics, Digital finance, Phenomenology.

The rapid expansion of Islamic finance in Indonesia has heightened the importance of Islamic financial literacy, particularly among Generation Z as the country's largest demographic cohort and future economic actors. Despite growing access to Islamic financial products and digital financial services, evidence suggests that Islamic financial literacy levels remain relatively low, raising concerns about the sustainability and inclusiveness of Islamic financial development. This study aims to explore Islamic financial literacy among Generation Z in Indonesia through a qualitative descriptive phenomenological approach based exclusively on secondary data.

Drawing on academic literature, official statistical reports, regulatory documents, and institutional publications, this study seeks to understand how Islamic financial literacy is conceptualized, constructed, and experienced within contemporary socio-economic and digital contexts. Rather than measuring literacy quantitatively, the research focuses on identifying shared meanings, interpretive patterns, and structural conditions that shape Generation Z's engagement with Islamic financial knowledge and practices. The phenomenological analysis highlights how Islamic financial literacy is commonly understood as a combination of financial knowledge, religious awareness, and ethical orientation, yet often manifests in fragmented and instrumental forms.

The findings reveal that digitalization plays a pivotal role in mediating Islamic financial literacy among Generation Z. Social media, fintech platforms, and digital influencers function as primary sources of information, offering both opportunities for wider outreach and risks of superficial understanding. Furthermore, institutional trust in regulatory bodies and Sharia authorities emerges as a key mechanism through which Generation Z navigates complex Islamic financial products, sometimes substituting critical understanding with reliance on certification and branding.

This study contributes to the Islamic economics and finance literature by extending discussions of Islamic financial literacy beyond quantitative indices toward an interpretive, context-sensitive understanding. Practically, the findings underscore the need for integrated literacy strategies that combine ethical reflection, digital engagement, and inclusive education. Strengthening Islamic financial literacy among Generation Z is essential not only for individual financial well-being but also for advancing the broader objectives of Islamic economics, including social justice, financial inclusion, and sustainable development.

INTRODUCTION

Financial literacy has long been acknowledged as a fundamental determinant of individual economic well-being as well as a key pillar of broader financial stability. Extensive evidence in the literature shows that individuals with stronger financial knowledge are better equipped to manage savings, debt, and investment choices, thereby enhancing household resilience and contributing to sustainable macroeconomic development. Financially literate individuals tend to plan more effectively for the future, respond more prudently to financial shocks, and participate more confidently in formal financial systems. At an aggregate level, these behaviors support more stable and efficient financial markets, reinforcing economic growth and reducing systemic vulnerability (Lusardi & Mitchell, 2014; OECD, 2018; Atkinson & Messy, 2012). Consequently, financial literacy has become a central concern for policymakers, educators, and regulators seeking to strengthen both individual welfare and overall economic performance.

Within the normative framework of Islamic economics, however, the concept of financial literacy extends beyond conventional technical competencies and acquires distinct ethical and religious dimensions. In addition to understanding fundamental financial concepts such as interest rates, risk management, and portfolio diversification, Islamic financial literacy requires a substantive comprehension of Sharia principles that govern economic behavior. These include the prohibition of *riba* (interest), the avoidance of *gharar* (excessive uncertainty), and the emphasis on productive, asset-based, and risk-sharing transactions. Moreover, individuals must possess the ability to critically differentiate between conventional financial products and those that are genuinely Sharia-compliant, rather than relying solely on institutional labels or superficial characteristics (Chapra, 2000; Dusuki & Abdullah, 2007; Hassan et al., 2021). As a result, policies and pedagogical strategies aimed at enhancing financial literacy among Muslim populations must be designed in an integrative manner, simultaneously addressing technical financial skills and ethically grounded religious knowledge. Such an approach is essential to ensure that financial decision-making aligns not only with economic rationality but also with the moral objectives embedded in Islamic economic thought.

Indonesia represents a particularly important context for the study of Islamic financial literacy because of its demographic scale and religious composition: as the world's largest Muslim-majority country, Indonesia offers a substantial potential market for Sharia financial products, yet empirical evidence suggests a persistent gap between potential and actual engagement (Badan Pusat Statistik [BPS], 2022; BPS, 2023; World Bank, 2020). National surveys conducted by the Financial Services Authority (OJK) indicate gradual gains in overall financial literacy, but literacy specifically oriented toward Islamic finance lags behind, reflecting structural limitations in outreach, education, and product differentiation (OJK, 2019; OJK, 2022; Antara, Musa, & Hassan, 2016). This discrepancy raises practical concerns: without substantive Islamic financial literacy, consumers risk misinterpreting product claims, falling prey to misinformation, or failing to appreciate the ethical rationales that distinguish Sharia instruments from their conventional analogues (Chapra, 2008; Obaidullah, 2005; World Bank, 2020).

Generation Z (roughly those born from the mid-1990s to the early 2010s) occupies a critical position in this discourse because of its demographic weight and unique patterns of media consumption and financial behavior (Francis & Hoefel, 2018; Priporas et al., 2017; Seemiller & Grace, 2019). In Indonesia, Generation Z already constitutes a sizeable share of the population and is set to command increasing economic influence as it enters the labor market and assumes greater roles as consumers and investors (BPS, 2023; BPS, 2022; United Nations, 2020). Characteristically digital, this cohort obtains much of its information via social media platforms, fintech apps, and online communities channels that can both facilitate rapid dissemination of financial knowledge and amplify misinformation or superficial interpretations (Arner, Barberis, & Buckley, 2020; Thakor, 2020; Yusoff et al., 2023). Consequently, understanding Islamic financial literacy among Generation Z requires attention to the mediated, socially constructed nature of knowledge in digital environments.

Existing empirical literature on financial literacy among youth has highlighted a pattern of high access but mixed competency: while Generation Z typically demonstrates facility with digital tools, this does not necessarily translate into deep financial understanding or prudent financial behavior (Lusardi et al., 2020; Xiao et al., 2015; Potrich, Vieira, & Kirch, 2018). In the Indonesian and broader Muslim contexts, studies that specifically target Islamic financial literacy remain comparatively limited and predominately quantitative, emphasizing measurement of literacy scores and correlations with variables such as education, income, and religiosity (Setiawan et al., 2020; Farooq & Alahkam, 2022; Antara et al., 2016). These quantitative assessments are valuable for gauging prevalence and correlates, but they provide less insight into how young people actually *make sense* of Sharia concepts, reconcile religious expectations with market logic, and navigate conflicting information flows online questions that require interpretive, phenomenological inquiry (Huston, 2010; Remund, 2010; Creswell & Poth, 2018).

From an Islamic economic perspective, the stakes of literacy extend beyond individual welfare to collective ethical outcomes. The normative project of Islamic finance envisions financial participation as a mechanism for social justice, equitable distribution, and promotion of real-sector investment rather than speculative gain (Chapra, 2008; Siddiqi, 2004; Dusuki & Abdullah, 2007). If Generation Z's understanding of Islamic finance remains superficial reduced to branding signals or celebrity endorsements on social platforms then the capacity of Sharia finance to realize these broader socio-economic objectives may be compromised. Critics have also observed that when Sharia compliance is operationalized primarily through technical metrics (e.g., financial ratio thresholds) rather than substantive ethical scrutiny, the resulting products risk symbolic rather than transformative Islamization of finance (El-Gamal, 2006; Asutay, 2012; Kamla & Rammal, 2013).

Digitalization and the rapid expansion of financial technology have introduced significant opportunities for advancing Islamic financial literacy, particularly among younger generations. The proliferation of mobile banking applications, digital learning platforms, and online educational communities has enabled broader and more inclusive access to financial knowledge that was previously limited by geographic and institutional constraints. Through digital academies, interactive applications, and social media based learning initiatives,

educational interventions can be delivered at scale and tailored to diverse learning needs. This accessibility is especially relevant for engaging dispersed youth populations, who are generally more receptive to technology-mediated learning and informal knowledge-sharing environments. As highlighted in the literature, digital tools allow Islamic financial education to reach wider audiences more efficiently, accelerate knowledge diffusion, and support continuous learning beyond formal educational settings (Arner et al., 2020; OECD, 2018; Thakor, 2020). In this sense, digitalization offers a strategic pathway for strengthening Islamic financial literacy by combining convenience, interactivity, and scalability.

However, alongside these opportunities, digitalization also presents important dilemmas that complicate the effective transmission of Islamic financial knowledge. The algorithm-driven nature of social media platforms often prioritizes content that is attention-grabbing, simplified, or commercially oriented, rather than educationally rigorous or ethically grounded. As a result, users may be exposed to fragmented or misleading interpretations of Sharia compliance, investment risks, and product suitability. Sensationalist narratives and influencer-driven endorsements can blur the distinction between credible financial education and promotional content, potentially distorting users' understanding of Islamic financial principles (Yusoff et al., 2023; Francis & Hoefel, 2018). These dynamics pose a particular challenge for Islamic finance, where ethical reasoning and normative considerations are integral components of financial decision-making. Without adequate guidance and quality control, digital platforms risk reducing Sharia compliance to superficial labels rather than fostering substantive ethical understanding.

In response to these challenges, the literature emphasizes the need for nuanced and carefully designed digital literacy strategies. Rather than rejecting digital channels, scholars argue for their strategic use through credible content curation, pedagogically sound frameworks, and the integration of ethical reflection with technical financial skills. Collaboration between regulators, educational institutions, and Islamic finance practitioners is seen as essential to ensure content accuracy and legitimacy. Digital initiatives that combine interactive learning with ethical discourse are viewed as particularly effective in strengthening Islamic financial literacy in a holistic manner (Nugroho & Hidayah, 2022; Rahman et al., 2021; Antara et al., 2016). Ultimately, the effectiveness of digitalization in Islamic financial education depends not only on technological innovation but also on the ability to preserve depth, credibility, and ethical substance within rapidly evolving digital environments.

Institutional actors regulators, Islamic scholars (ulama), financial educators, and industry practitioners play a crucial mediating role in shaping Islamic financial literacy. OJK's national surveys and policy programs reflect an acknowledgment that improving literacy requires multi-stakeholder collaboration: formal regulation and transparent product disclosure, certification by credible Sharia authorities, and targeted educational interventions tailored to youth (OJK, 2019; OJK, 2022; World Bank, 2020). Meanwhile, scholarly and pedagogical debates emphasize the integration of *maqasid al-shariah* (objectives of Sharia) into curriculum design so that learners appreciate both the ethical underpinnings and the practical mechanics of Sharia finance (Chapra, 2000; Dusuki & Abdullah, 2007; Hassan et al., 2021). The

success of such efforts depends on bridging academic knowledge, religious legitimacy, and accessible digital pedagogy.

A phenomenological perspective provides a valuable lens to explore the lived meanings of Islamic financial literacy among Generation Z. Rather than treating literacy as a unidimensional score, phenomenology attends to how individuals experience, interpret, and enact knowledge within specific contexts (Moustakas, 1994; Schutz, 1967; Creswell & Poth, 2018). Applied to Islamic financial literacy, this approach examines how young people articulate their understanding of Sharia principles, what sources they trust, how they reconcile religious guidance with practical financial needs, and how digital culture shapes these processes. Such an inquiry, even when based on secondary data sources academic studies, regulatory reports, and institutional documentation can uncover shared meanings and tensions that quantitative studies may overlook (Giorgi, 2009; Finlay, 2011).

Given the interrelated dimensions described above, this study adopts a descriptive phenomenological approach based on secondary data to synthesize existing knowledge about Islamic financial literacy among Generation Z in Indonesia. The research aims to (1) map prevailing discourses and conceptualizations of Islamic financial literacy in the literature and policy documents, (2) identify structural and digital mediators that shape Generation Z's literacy, and (3) highlight gaps and implications for policy and educational interventions. By centering meaning-making processes and contextual dynamics, the study contributes an interpretive complement to the prevalent quantitative literature and offers actionable insights for regulators, educators, and industry actors seeking to strengthen Islamic financial literacy among the country's youth.

METHOD RESEARCH

Research Design and Approach

This study employs a qualitative descriptive phenomenological research design to examine the phenomenon of Islamic financial literacy among Generation Z in Indonesia. A phenomenological approach is considered particularly appropriate because it prioritizes the exploration of shared meanings, interpretive patterns, and underlying structures through which a phenomenon is understood and communicated within social and institutional contexts. Rather than focusing on numerical measurement or index-based assessment of literacy levels, this study is concerned with how Islamic financial literacy is defined, framed, and debated in academic literature and policy-oriented discussions. By emphasizing interpretation over quantification, phenomenology enables a deeper understanding of how knowledge, values, and assumptions surrounding Islamic financial literacy are constructed and circulated within broader discursive environments (Schutz, 1967; Moustakas, 1994; Creswell & Poth, 2018).

Specifically, this research draws on the descriptive phenomenological tradition, which seeks to present a faithful account of a phenomenon as it appears, without introducing causal explanations or theoretical impositions. This tradition emphasizes careful description and systematic reflection as a means of revealing essential structures of meaning (Giorgi, 2009; Finlay, 2011). In the context of this study, phenomenology is not applied to primary data

derived from interviews or direct observation, but rather to documented expressions of experience and interpretation embedded in secondary sources. These include academic publications, regulatory documents, and institutional reports that collectively shape understandings of Islamic financial literacy in Indonesia.

The use of secondary data within a phenomenological framework is increasingly acknowledged as a legitimate qualitative strategy, particularly when the research objective is to synthesize and interpret collective meanings articulated across formal texts and institutional narratives. Document analysis allows researchers to identify recurring themes, assumptions, and conceptual tensions that inform policy and scholarly discourse (Bowen, 2009; Creswell & Poth, 2018). Accordingly, this study does not aim to produce statistically generalizable findings. Instead, it seeks to offer an in-depth interpretive account of Islamic financial literacy as a socio-economic phenomenon, situated at the intersection of religious values, generational characteristics, and institutional practices within the Indonesian context.

Data Source and Selection

The study relies exclusively on secondary qualitative data. Data sources were selected purposively to ensure relevance, credibility, and alignment with the research objectives. The sources include:

1. Peer-reviewed academic journal articles related to Islamic financial literacy, financial literacy among youth, Islamic economics, and Generation Z behavior.
2. Institutional and regulatory documents issued by authoritative bodies, such as the Financial Services Authority of Indonesia (OJK), the Central Statistics Agency (BPS), and international organizations including the World Bank and OECD.
3. Scholarly books and monographs that provide theoretical foundations for Islamic economics, financial literacy, and phenomenological methodology.

The inclusion criteria for academic literature were as follows: publications written in English, published in reputable journals or by recognized academic publishers, and explicitly addressing Islamic finance, financial literacy, or youth/Generation Z within a socio-economic or ethical framework. Institutional reports were selected based on their official status, methodological transparency, and relevance to the Indonesian context. This purposive sampling strategy is consistent with qualitative research principles, which prioritize information richness and conceptual relevance over representativeness (Patton, 2015; Bowen, 2009).

Data Collection Procedure

Data collection was conducted through systematic document identification and review. Academic databases such as Scopus-indexed and reputable national journals were used to identify relevant literature, while institutional data were obtained from official publications.

Rather than extracting numerical indicators, the study focused on textual content that reflects interpretations, conceptual frameworks, policy narratives, and normative assumptions regarding Islamic financial literacy.

Each document was treated as a unit of meaning. Relevant sections such as conceptual definitions, policy rationales, empirical interpretations, and discussion segments were identified and extracted for analysis. This process aligns with qualitative document analysis, which views documents as social artifacts that both reflect and shape institutional realities (Bowen, 2009; Prior, 2003). To maintain methodological rigor, the researcher engaged in iterative reading to familiarize themselves deeply with the content before initiating formal analysis.

Analytical Framework and Procedure

Data analysis followed a descriptive phenomenological procedure adapted for secondary data analysis. The process involved four main stages. First, *bracketing (epoché)* was applied conceptually, whereby the researcher consciously suspended personal assumptions and evaluative judgments about Islamic financial literacy in order to engage with the meanings presented in the data sources themselves (Moustakas, 1994; Giorgi, 2009). Although complete bracketing is philosophically unattainable, reflexive awareness enhances analytical transparency.

Second, *meaning units* were identified across the documents. Meaning units refer to segments of text that convey distinct ideas or interpretations related to Islamic financial literacy, Generation Z characteristics, digitalization, ethical considerations, and institutional roles. These units were coded inductively, allowing themes to emerge from the data rather than being imposed a priori (Creswell & Poth, 2018; Finlay, 2011).

Third, the identified meaning units were clustered into thematic categories that represent shared patterns across sources. Themes such as “conceptual ambiguity of Islamic financial literacy,” “digital mediation of financial knowledge,” “institutional authority and trust,” and “normative versus pragmatic orientations” emerged through constant comparison. This thematic synthesis captures the essence of the phenomenon as articulated collectively in the literature and policy discourse (Thomas & Harden, 2008).

Fourth, *textural and structural descriptions* were developed. Textural descriptions articulate *what* is being said about Islamic financial literacy definitions, challenges, and expectations while structural descriptions interpret *how* these meanings are shaped by contextual factors such as digital culture, regulatory frameworks, and generational characteristics (Moustakas, 1994; Creswell & Poth, 2018). The integration of these descriptions resulted in a composite portrayal of the phenomenon.

Trustworthiness and Rigor

To ensure qualitative rigor, this study applied established criteria for trustworthiness: credibility, dependability, and confirmability (Lincoln & Guba, 1985). Credibility was enhanced through triangulation of multiple data sources, including academic literature, regulatory

documents, and statistical reports. By comparing interpretations across these sources, the study reduces the risk of single-source bias.

Dependability was addressed by documenting the data selection and analysis procedures systematically, allowing the research process to be transparent and replicable in principle. Confirmability was supported through reflexive engagement, whereby the researcher continuously reflected on analytical decisions and grounded interpretations explicitly in the data. Although transferability is not the primary aim of phenomenological research, detailed contextual description allows readers to assess the applicability of findings to other settings (Patton, 2015).

Ethical Considerations

As this study relies solely on publicly available secondary data, it does not involve human subjects and therefore does not require formal ethical clearance. Nevertheless, ethical research principles were upheld by accurately representing sources, avoiding misinterpretation, and ensuring proper citation of all materials. The study refrains from normative judgments about individual behavior and focuses instead on interpreting institutional and scholarly narratives responsibly.

RESULT AND DISCUSSION

Conceptualization of Islamic Financial Literacy among Generation Z

The synthesis of academic literature and institutional reports indicates that Islamic financial literacy is commonly conceptualized as a multidimensional construct that goes beyond the boundaries of conventional financial knowledge. While general financial literacy traditionally focuses on practical competencies such as budgeting, saving, borrowing, and investment decision-making, Islamic financial literacy incorporates additional layers of religious and ethical understanding. These include knowledge of Sharia principles, moral values, and broader socio-economic objectives embedded within Islamic economic thought (Hassan et al., 2021; Farooq & Alahkam, 2022; OECD, 2023). Within this framework, being financially literate in an Islamic sense requires not only technical competence but also the ability to identify halal and non-halal financial products, comprehend the prohibition of *riba* (interest) and *gharar* (excessive uncertainty), and understand the ethical logic underlying profit-and-loss sharing arrangements as an alternative to interest-based finance.

For Generation Z, the complexity of this integrated conceptual framework presents distinctive challenges. The reviewed studies consistently suggest that although many young individuals are familiar with basic Islamic financial terminology and product labels, their understanding often remains fragmented and surface-level. Exposure to terms such as “Sharia-compliant,” “halal investment,” or “Islamic banking” does not necessarily translate into a deeper comprehension of the principles that justify these classifications (Setiawan et al., 2020; Rahman et al., 2023; Nugroho & Hidayah, 2022). From a phenomenological standpoint, Islamic financial literacy among Generation Z is therefore experienced more as symbolic awareness than as embodied or internalized knowledge that actively informs

financial behavior. This tendency reflects broader concerns within Islamic finance literature, which highlight how institutional emphasis on product certification and labeling may inadvertently overshadow sustained educational engagement with Islamic ethical foundations (Asutay, 2012; El-Gamal, 2006).

Viewed through a descriptive phenomenological lens, this pattern reveals a shared meaning structure in which “being financially literate in an Islamic sense” is commonly equated with the recognition of Islamic branding rather than with the internalization of ethical reasoning. In this sense, literacy is socially constructed as familiarity with labels, logos, and institutional assurances of Sharia compliance, rather than as a reflective understanding of moral responsibility and socio-economic justice. This construction is further reinforced by policy and regulatory narratives that tend to prioritize indicators such as market inclusion, product uptake, and accessibility. While these objectives are important for expanding participation, they often leave limited space for qualitative evaluation of how deeply Islamic financial concepts are understood by younger generations (OJK, 2022; World Bank, 2023).

As a result, Islamic financial literacy among Generation Z is embedded within a pragmatic discourse that values ease of access, digital availability, and recognizability of Islamic financial products. Although this approach supports broader engagement with Islamic finance, it may simultaneously constrain the development of critical and ethically grounded financial understanding. The findings suggest that without greater emphasis on conceptual depth and ethical reflection, Islamic financial literacy risks being reduced to a functional or symbolic competency rather than a transformative form of knowledge aligned with the normative aspirations of Islamic economics.

Generational Characteristics and the Digital Mediation of Literacy

One of the most prominent themes emerging from the analysis is the decisive role of digitalization in shaping Islamic financial literacy among Generation Z. As a cohort commonly described as digital natives, Generation Z has grown up in an environment where internet connectivity, mobile devices, and digital platforms are integral to everyday life. Consequently, their engagement with financial knowledge is largely mediated through online channels such as social media, fintech applications, video-sharing platforms, and digital content creators rather than through formal educational institutions or traditional financial advisors (Francis & Hoefel, 2018; Arner et al., 2020; Thakor, 2020). This digital mediation represents a fundamental shift in how financial information is accessed, interpreted, and evaluated, redefining the processes through which literacy is formed and enacted.

The reviewed literature highlights that digital platforms offer significant opportunities for enhancing Islamic financial literacy among young people. Fintech innovations and digital Islamic banking applications have lowered entry barriers to participation by simplifying account opening, reducing transaction costs, and increasing everyday exposure to Sharia-compliant financial products. These technologies enable Generation Z to interact directly with Islamic financial services in practical and experiential ways, potentially reinforcing learning through use (Yusoff et al., 2023; OJK, 2022). In addition, educational initiatives delivered through social media campaigns, mobile applications, and interactive digital tools are often

more effective in capturing the attention of younger audiences compared to conventional classroom-based or seminar-style programs. Digital formats allow information to be presented in visually engaging and accessible ways, increasing reach and scalability.

However, the phenomenological synthesis also reveals important risks associated with the digital mediation of literacy. Generation Z's strong orientation toward convenience, speed, and on-demand access tends to foster a preference for short-form, simplified content. While such content enhances accessibility, it may also discourage deeper engagement with complex financial and ethical concepts. Scholars describe this pattern as "fragmented literacy," in which individuals accumulate discrete pieces of information without integrating them into a coherent conceptual framework (Lusardi et al., 2020; Rahman et al., 2023). In the context of Islamic finance, fragmented literacy can lead to partial or distorted understandings of Sharia compliance, profit-and-loss sharing mechanisms, risk allocation, and ethical trade-offs embedded in Islamic economic principles.

These challenges are further intensified by the algorithmic structures that govern social media platforms. Algorithms tend to prioritize content that is popular, emotionally engaging, or commercially attractive, rather than content that is pedagogically rigorous or ethically nuanced. As a result, educational messages about Islamic finance may become intertwined with promotional narratives, influencer endorsements, or simplified branding, blurring the boundary between learning and marketing (Yusoff et al., 2023; Nugroho & Hidayah, 2022). This dynamic can shape perceptions of Islamic financial literacy as a matter of product familiarity rather than critical ethical understanding.

From a phenomenological perspective, Generation Z's experience of Islamic financial literacy is thus deeply shaped by digital structures that influence not only the availability of information but also its meaning and perceived purpose. Literacy is increasingly understood as a functional competency focused on immediate usability and practical application rather than as a reflective and value-oriented learning process. This finding underscores the importance of critically assessing digital strategies for Islamic financial education. To be effective and sustainable, such strategies must move beyond convenience and engagement metrics, aligning digital delivery with deeper pedagogical goals that integrate technical knowledge, ethical reasoning, and critical reflection within the digital environments that define Generation Z's learning experiences.

Institutional Authority, Trust, and Legitimacy

Another key theme emerging from the analysis concerns the role of institutional authority in shaping trust and legitimacy within Islamic financial literacy, particularly among Generation Z. In the Indonesian context, regulatory institutions such as the Financial Services Authority (OJK) and religious bodies including the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) occupy a central position in defining, certifying, and communicating Sharia compliance in financial products. Through official regulations, fatwas, and public education initiatives, these institutions function as authoritative gatekeepers that translate Islamic legal principles into operational financial standards (OJK, 2019; OJK, 2022; Hassan et

al., 2021). The analysis indicates that Generation Z investors and consumers tend to place substantial reliance on these institutional endorsements when evaluating whether financial products align with Islamic principles.

This reliance reflects what can be described phenomenologically as a form of delegated trust. Rather than engaging in independent assessment of Sharia principles or scrutinizing the underlying structures of financial products, many young individuals accept institutional certification as a sufficient marker of ethical legitimacy. From a pragmatic perspective, this orientation is understandable, as it reduces cognitive burden and uncertainty in an increasingly complex financial environment. However, the literature cautions that such reliance may come at a cost. When trust is fully transferred to institutional authority, Islamic financial literacy risks being reduced to passive recognition rather than active understanding. Scholars argue that excessive dependence on certification and regulatory assurance can limit critical reflection and weaken the transformative ethical aspirations of Islamic economics, which emphasize moral agency and social responsibility alongside compliance (Asutay, 2012; Kamla & Rammal, 2013).

At the same time, the analysis reveals that institutional trust among Generation Z is neither uniform nor unconditional. Levels of trust vary depending on how institutions are perceived in terms of transparency, communication style, and responsiveness to societal change. Studies show that younger generations tend to evaluate credibility not solely on formal authority or religious legitimacy, but also on accessibility, clarity of communication, and perceived alignment with their values and lived experiences (World Bank, 2023; Rahman et al., 2021). Institutions that appear distant, overly bureaucratic, or unresponsive to public concerns may struggle to maintain legitimacy among digitally connected youth. Conversely, institutions that actively engage through digital platforms, interactive content, and open dialogue are more likely to be perceived as trustworthy.

This dynamic creates both challenges and opportunities for regulators and educators involved in Islamic financial literacy initiatives. On the one hand, institutional authority remains a crucial source of legitimacy and standardization in Islamic finance. On the other hand, legitimacy alone is insufficient to foster deep literacy if it is not accompanied by meaningful engagement. The findings suggest that effective Islamic financial education for Generation Z must strike a balance between top-down institutional guidance and participatory learning approaches. Phenomenologically, literacy is experienced as more meaningful and internalized when individuals feel involved in the discourse, rather than positioned merely as passive recipients of authoritative instruction. This insight underscores the importance of designing Islamic financial literacy programs that combine institutional credibility with dialogue, interaction, and critical engagement, thereby strengthening both trust and understanding among younger generations.

Normative Ideals versus Pragmatic Financial Behavior

A persistent tension identified in the literature concerns the gap between the normative ideals promoted by Islamic economics and the pragmatic financial behavior exhibited by Generation Z. At the normative level, Islamic economics is grounded in principles of ethical

conduct, social justice, and the pursuit of collective welfare. Financial activities are expected to serve broader moral and societal objectives, positioning economic behavior as an extension of ethical responsibility rather than a value-neutral pursuit of profit (Chapra, 2008; Siddiqi, 2004; Dusuki & Abdullah, 2007). Within this framework, Islamic financial literacy ideally involves an internalization of ethical reasoning that guides financial decision-making in accordance with Sharia values.

Empirical evidence, however, suggests that the actual financial behavior of Generation Z often reflects a more pragmatic orientation. Studies indicate that young consumers tend to prioritize convenience, expected returns, ease of access, and digital usability when selecting financial products, including those marketed as Islamic (Setiawan et al., 2020; Farooq & Alahkam, 2022). Features such as user-friendly mobile applications, fast transaction processes, and competitive pricing frequently play a more decisive role than ethical considerations alone. This behavioral pattern highlights a disjunction between the aspirational ethical goals of Islamic finance and the everyday decision-making criteria employed by young market participants.

While this tension is observable across different demographic groups, it appears particularly pronounced among Generation Z due to their immersion in globalized consumer culture and digitally mediated marketplaces. Constant exposure to international financial products, lifestyle-oriented marketing, and platform-based consumption shapes expectations of speed, efficiency, and personalization. From a phenomenological perspective, the analysis reveals that Islamic financial literacy among Generation Z is often negotiated as a compromise between religious ideals and practical constraints. Individuals may rationalize their engagement with Islamic financial products primarily on functional grounds such as perceived safety or institutional legitimacy while ethical considerations occupy a secondary or implicit position in their reasoning.

This pragmatic orientation has drawn criticism from scholars who argue that such behavior risks reducing Islamic finance to a formalistic system that emphasizes compliance over substance. According to this critique, prioritizing functionality and returns may dilute the moral content of Islamic finance and weaken its potential as a transformative ethical alternative to conventional financial systems (El-Gamal, 2006; Asutay, 2012). From this standpoint, the divergence between ideals and practice is interpreted as a failure to cultivate genuine Islamic financial literacy that integrates ethics with economic rationality.

However, a descriptive and phenomenological reading offers a more nuanced interpretation. Rather than viewing this tension solely as a deficit in literacy or moral commitment, it can be understood as a reflection of the lived realities faced by young consumers operating within complex socio-economic environments. Generation Z navigates structural pressures such as economic uncertainty, rising living costs, and intense competition in labor and financial markets. Within these constraints, pragmatic decision-making represents an adaptive response rather than an outright rejection of ethical values. This interpretation aligns with phenomenological insights that emphasize understanding social

phenomena as they are experienced in practice, rather than measuring them against idealized normative standards.

Accordingly, efforts to enhance Islamic financial literacy among Generation Z should not ignore pragmatic motivations, but instead engage with them constructively. Ethical principles need to be articulated in ways that resonate with contemporary financial practices and everyday concerns, demonstrating their relevance rather than presenting them as abstract ideals. By acknowledging the interplay between moral aspiration and practical necessity, Islamic financial literacy initiatives can move toward a more grounded and realistic approach one that bridges normative ideals with the financial realities faced by younger generations.

Educational Gaps and Structural Constraints

The analysis further reveals substantial gaps in both formal and informal education related to Islamic financial literacy, which continue to limit its effective dissemination among Generation Z. Despite various policy initiatives, public campaigns, and regulatory efforts undertaken by relevant authorities, the coverage and depth of Islamic financial education remain uneven across educational levels. At the secondary and tertiary stages in particular, Islamic financial literacy is often insufficiently institutionalized within formal curricula, resulting in fragmented and inconsistent exposure among students (OJK, 2022; BPS, 2023). Rather than being treated as a core competency, Islamic financial knowledge is frequently positioned as a supplementary or peripheral subject, which reduces its perceived importance in comparison to conventional financial education.

Existing studies consistently indicate that Islamic financial concepts are either integrated only superficially into broader financial literacy programs or offered as optional modules that reach a limited audience (Nugroho & Hidayah, 2022; Rahman et al., 2021). This approach constrains the development of comprehensive understanding, as learners may encounter Islamic finance merely as a set of terminologies or product categories without sufficient engagement with its underlying ethical and socio-economic principles. As a result, Islamic financial literacy is often acquired informally through personal networks, digital media, or market exposure rather than through structured and pedagogically coherent educational pathways. This reliance on informal learning further amplifies disparities in knowledge acquisition, as access to such resources is unevenly distributed.

These structural limitations contribute directly to unequal literacy outcomes across socio-economic groups. Empirical evidence suggests that Generation Z individuals from urban areas and higher-income households generally enjoy greater access to Islamic financial institutions, digital financial services, and educational resources. In contrast, those from rural regions or lower-income backgrounds often face restricted access to both financial products and literacy initiatives, limiting opportunities for experiential learning and informed participation (BPS, 2023; World Bank, 2023). Such disparities run counter to the inclusive and distributive aspirations of Islamic economics, which emphasize broad-based empowerment and social justice.

From a phenomenological perspective, these educational gaps shape how Islamic financial literacy is experienced and understood by young people. When access is limited and learning pathways are uneven, literacy may be perceived as a form of elite or specialized knowledge rather than a shared social capability. This perception can discourage engagement among marginalized youth, reinforcing feelings of exclusion and perpetuating existing inequalities. Consequently, addressing educational gaps requires more than expanding access alone. It also necessitates reframing Islamic financial literacy as a collective, inclusive, and empowering practice one that is embedded within mainstream education and responsive to diverse socio-economic contexts.

Implications for Policy and Practice

The findings of this study offer several important implications for both policy formulation and practical implementation in the area of Islamic financial literacy, particularly with regard to Generation Z. First, policymakers need to acknowledge that enhancing Islamic financial literacy cannot be approached solely as a process of increasing information availability or disseminating technical knowledge. Instead, literacy development must be understood as a process of meaning construction, in which young individuals actively interpret, negotiate, and internalize financial concepts within their social and cultural contexts. Educational strategies should therefore integrate ethical reasoning derived from Islamic economic principles, situational relevance to everyday financial challenges, and interactive pedagogical methods that reflect how Generation Z learns and engages with information (OECD, 2023; Hassan et al., 2021). Such an approach can help bridge the gap between normative ideals and practical financial behavior.

Second, the strategic use of digital platforms is essential, given their central role in the lives of Generation Z. While digital media offer unparalleled accessibility and scalability, they must be designed to balance ease of access with conceptual depth. Policymakers and regulators are encouraged to collaborate more closely with educators, Islamic finance practitioners, and digital content creators to ensure that online educational materials are not only engaging but also accurate, credible, and ethically grounded. Structured digital campaigns, interactive learning modules, and verified educational content can help counter the risks of misinformation and superficial understanding that often accompany algorithm-driven platforms. By strengthening content governance and pedagogical quality, digital channels can become effective tools for cultivating substantive Islamic financial literacy.

Third, although institutional authority remains a key source of trust and legitimacy in Islamic finance, it should be complemented by participatory and dialogical approaches to education. Rather than positioning young people as passive recipients of institutional guidance, literacy initiatives should encourage questioning, discussion, and critical reflection. Such engagement fosters a sense of ownership and moral agency, aligning more closely with the transformative objectives of Islamic economics. Creating spaces for dialogue both online and offline can help move Islamic financial literacy beyond passive acceptance toward active and reflective practice.

Finally, the findings highlight the importance of ongoing qualitative research to capture the evolving meanings and experiences of Islamic financial literacy in a rapidly changing digital and socio-economic environment. As financial technologies, consumer behaviors, and cultural norms continue to evolve, policy responses must remain adaptive and evidence-based. Qualitative and phenomenological research can provide nuanced insights into how Generation Z understands and enacts Islamic financial principles in everyday life, thereby informing policies and practices that better align Islamic economic ideals with lived realities.

CONCLUSION

This study aimed to explore the phenomenon of Islamic financial literacy among Generation Z in Indonesia through a qualitative descriptive phenomenological approach based on secondary data. By synthesizing academic literature, regulatory documents, and official statistical reports, the research sought to uncover how Islamic financial literacy is conceptualized, mediated, and experienced within contemporary socio-economic and digital contexts. Rather than assessing literacy through numerical indices, this study emphasized interpretive understanding, capturing the shared meanings and structural tensions that shape Islamic financial literacy discourse.

The findings indicate that Islamic financial literacy among Generation Z is widely understood as a multidimensional construct that combines financial knowledge, religious understanding, and ethical orientation. However, this integration remains uneven in practice. While awareness of Islamic financial terminology and products has increased, particularly through digital exposure, deeper comprehension of Sharia principles and their socio-economic implications often remains limited. This gap reflects a broader tendency to equate literacy with surface-level familiarity rather than substantive understanding, a pattern reinforced by market-driven narratives and branding practices within Islamic finance.

Digitalization emerged as a defining factor in shaping Islamic financial literacy experiences among Generation Z. As digital natives, young individuals rely heavily on social media, fintech platforms, and online influencers as primary sources of financial information. These platforms offer significant opportunities for expanding access to Islamic financial knowledge, yet they also contribute to fragmented learning and potential misinformation. The study highlights that digital mediation not only affects information availability but also influences how literacy is perceived as a functional and immediate competency rather than a reflective and ethical learning process. This finding underscores the importance of critically engaging with digital channels when designing Islamic financial education initiatives.

Institutional authority and trust were found to play a central role in legitimizing Islamic financial products and knowledge. Regulatory bodies and Sharia councils provide crucial assurance of compliance, enabling Generation Z to navigate complex financial choices with limited individual expertise. However, the heavy reliance on institutional certification may also foster passive acceptance, reducing opportunities for critical engagement with Islamic economic principles. The study suggests that institutional trust should be complemented by participatory and dialogical educational approaches that empower young individuals to actively interpret and apply Sharia concepts in their financial lives.

A persistent tension between normative ideals and pragmatic financial behavior was also evident. Islamic economics emphasizes ethical conduct, social justice, and collective welfare,

yet Generation Z often prioritizes convenience, digital usability, and perceived returns when making financial decisions. Rather than framing this divergence as a deficiency, the phenomenological analysis interprets it as an adaptive response to structural constraints and contemporary consumer culture. This perspective highlights the need to rearticulate Islamic financial principles in ways that resonate with the lived realities of young consumers without compromising ethical substance.

The study further identified structural and educational gaps that constrain the development of Islamic financial literacy. Uneven access to formal education, disparities in digital infrastructure, and limited integration of Islamic finance into mainstream curricula contribute to unequal literacy outcomes across socio-economic groups. These findings challenge the inclusive aspirations of Islamic economics and call for targeted, context-sensitive interventions that address both content and access. Enhancing Islamic financial literacy among Generation Z therefore requires coordinated efforts across educational institutions, regulators, and financial industry actors.

Theoretically, this study contributes to the literature by extending discussions of Islamic financial literacy beyond quantitative measurement toward an interpretive, phenomenological understanding. By foregrounding meaning-making processes and contextual dynamics, the research complements existing empirical studies and highlights dimensions often overlooked in survey-based approaches. Methodologically, it demonstrates the value of secondary-data-based phenomenological analysis for synthesizing dispersed knowledge and uncovering shared interpretive patterns within institutional and scholarly discourse.

Practically, the findings offer several implications for policymakers and practitioners. Islamic financial literacy initiatives should integrate ethical reasoning with practical financial skills, leverage digital platforms responsibly, and foster critical engagement rather than passive consumption of information. Programs targeting Generation Z must be designed with sensitivity to digital culture, generational values, and socio-economic diversity.

In conclusion, Islamic financial literacy among Generation Z in Indonesia represents a complex and evolving phenomenon shaped by digitalization, institutional structures, and normative-economic ideals. Strengthening this literacy is not merely a technical task but a socio-ethical endeavor that holds significant implications for the future of Islamic finance and inclusive economic development. Future research employing primary qualitative or mixed-method approaches could further enrich understanding by capturing the lived experiences of Generation Z directly, thereby deepening and extending the insights generated by this study.

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