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ROLE OF ISLAMIC VALUES THE AS A BASIS FOR FINANCIAL DECISION-MAKING IN GENERATION Z

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Abstract: *This study examines the role of Islamic values in financial decision-making among Generation Z, particularly amid the widespread use of digital financial services. Generation Z is often faced with various financial choices that can influence their spending patterns and money management. Therefore, Islamic values such as the principles of halal and haram, the attitude of qana'ah , amanah , and balance are important guidelines for managing finances wisely.The purpose of this study is to determine the extent to which Islamic values play a role in shaping the financial decisions of Generation Z. This research was conducted by distributing questionnaires to 200 Muslim Generation Z youths aged 18 to 25 who frequently use digital financial applications, such as e-wallets or online payment services. The respondents' answers were then collected and processed to examine the relationship between Islamic values and their financial decision-making behavior. The data were analyzed using simple statistical methods to determine whether Islamic values have a significant influence on the financial decisions of Generation Z. The conclusion of this study indicates that Islamic values play an important role as a moral foundation in helping Generation Z make more responsible and moderate financial decisions. This research is expected to serve as a basis for strengthening Islamic value-based financial literacy, particularly in the digital era.*

Keywords: *Islamic Values; Financial Decision-Making; Generation Z; Financial Literacy; Islamic Finance*

Introduction

In recent decades, the study of financial decision-making has attracted growing scholarly attention, particularly as global economic systems become increasingly complex and digitized. Among contemporary demographic groups, **Generation Z** represents a cohort whose financial behavior is shaped by unique structural conditions, including rapid technological advancement, early exposure to digital financial services, and heightened uncertainty in labor and capital markets. Born into an era of financial globalization and digitalization, Generation Z navigates economic decisions in ways that differ markedly from previous generations.

For Muslim Generation Z, financial decision-making is not merely an economic activity but also a **moral and ethical process** grounded in religious teachings. Islam provides a comprehensive framework governing economic behavior, emphasizing justice (*'adl*), responsibility (*amanah*), moderation (*wasatiyyah*), and the pursuit of lawful (*halal*) income. These principles shape attitudes toward wealth accumulation, consumption, investment, and debt. As such, Islamic values have the potential to function as a **normative foundation** for financial decisions, particularly in contexts where conventional financial systems frequently rely on interest-based mechanisms that conflict with Islamic law (*Shariah*).

The relevance of this issue is heightened by the growing availability of digital financial products, including online banking, peer-to-peer lending, investment applications, and cryptocurrency platforms. While these innovations offer convenience and accessibility, they also present ethical dilemmas for Muslim youth attempting to reconcile religious values with modern financial practices. Generation Z's high engagement with digital platforms further intensifies this challenge, as financial decisions are increasingly influenced by social media, online communities, and algorithm-driven recommendations.

Despite the expanding body of research on Islamic finance and ethical economics, empirical studies focusing on **individual-level financial decision-making among Generation Z** remain limited. Much of the existing literature concentrates on institutional Islamic finance, banking performance, or consumer preferences in general populations, rather than examining how Islamic values are internalized and practiced by younger generations in daily financial choices. This gap is particularly evident in studies exploring how Islamic values guide personal decisions related to saving, spending, investing, and borrowing.

Therefore, this study seeks to analyze the role of Islamic values as a foundational basis for financial decision-making among Generation Z. By integrating quantitative and qualitative approaches, the research aims to provide a comprehensive understanding of how religious ethics interact with economic rationality in shaping financial behavior. The findings are expected to contribute to the literature on Islamic economics, youth financial behavior, and ethical finance, while offering practical implications for financial institutions, educators, and policymakers seeking to engage Generation Z more effectively.

Literature Review

2.1 Islamic Values as an Ethical Foundation in Economic Life

Islamic values constitute a comprehensive ethical system that governs not only spiritual matters but also socio-economic behavior. In Islamic economics, financial decision-making is inseparable from moral responsibility, as wealth is viewed as a trust (*amanah*) rather than absolute private ownership. The Qur'an and Sunnah emphasize justice (*'adl*), balance (*mizan*), and accountability (*hisab*), which collectively shape economic conduct. Financial decisions are therefore expected to align with ethical considerations that transcend profit maximization.

Scholars argue that Islamic values provide a normative framework that guides individuals in distinguishing permissible (*halal*) from impermissible (*haram*) economic activities. This framework influences how individuals perceive risk, return, and responsibility in financial transactions. Unlike conventional economic theories that prioritize rational self-interest, Islamic economic thought embeds moral consciousness into decision-making processes, positioning ethics as an integral component of financial behavior.

2.2 Core Principles of Islamic Finance and Personal Financial Behavior

Islamic finance is built upon several foundational principles that directly influence individual financial decisions. The prohibition of *riba* discourages reliance on interest-based loans and savings instruments, while the prohibition of *gharar* and *maysir* promotes transparency and discourages speculative behavior. These principles encourage financial activities that are asset-backed, risk-shared, and value-generating.

At the individual level, these principles shape everyday financial behavior, including preferences for savings over debt, cautious investment strategies, and avoidance of high-risk speculative instruments. Studies suggest that individuals who internalize these principles tend to exhibit greater financial discipline and long-term orientation. Thus, Islamic financial principles extend beyond institutional frameworks and significantly influence personal financial decision-making.

2.3 Generation Z: Financial Characteristics and Behavioral Tendencies

Generation Z represents a cohort shaped by digital transformation, economic uncertainty, and global interconnectedness. Existing literature characterizes Gen Z as financially cautious, technologically adept, and highly responsive to social and ethical narratives. Unlike previous generations, Gen Z tends to prioritize financial security, value transparency, and seek alignment between personal values and economic choices.

However, Generation Z's financial behavior is also characterized by exposure to fast-paced digital financial innovations, including mobile banking, fintech applications, and online investment platforms. While these tools enhance accessibility, they also increase the complexity of financial decision-making. This dual condition places Generation Z at the intersection of opportunity and vulnerability, making value-based guidance particularly relevant.

2.4 Religion and Financial Decision-Making: Empirical Perspectives

Religion has long been recognized as a significant determinant of individual behavior, including economic choices. Empirical studies across different religious traditions demonstrate that religious beliefs influence attitudes toward debt, savings, risk-taking, and consumption. In Islamic contexts, religiosity has been found to correlate with ethical consumption, lower tolerance for financial risk, and preference for Shariah-compliant financial products.

However, findings are not always uniform. Some studies suggest that modernization and globalization may weaken religious influence on economic behavior, particularly among younger generations. This debate highlights the need for empirical investigation into whether Islamic values continue to shape financial decisions among Generation Z, or whether economic rationality and digital culture dominate their behavior.

2.5 Islamic Values, Ethical Consumption, and Social Responsibility

Ethical consumption has emerged as a key theme in contemporary financial behavior, particularly among younger generations. Islamic values align closely with ethical consumption principles, emphasizing moderation (*qana'ah*), social justice, and concern for societal welfare. Financial decisions in Islam are expected to account for social impact, discouraging excessive consumption and encouraging redistribution through zakat and charity.

For Generation Z, ethical consumption often manifests in preferences for socially responsible brands and investments. When filtered through Islamic values, these preferences may translate into avoidance of industries deemed unethical under Shariah, such as alcohol, gambling, and exploitative financial services. This convergence suggests that Islamic values can reinforce ethical consumption patterns within Generation Z.

2.6 Digital Finance, Social Media, and the Reinforcement of Islamic Financial Norms

Digitalization has transformed financial decision-making processes, particularly for Generation Z. Social media platforms, financial influencers, and online religious communities play an increasingly important role in shaping financial perceptions and behaviors. In Islamic contexts, digital platforms have facilitated the dissemination of Islamic financial knowledge, including guidance on halal investments and Shariah-compliant financial practices.

Rather than eroding religious influence, digital environments may strengthen Islamic financial norms by creating accessible spaces for religious discourse and peer reinforcement.

Studies indicate that online religious content can shape attitudes and behaviors, suggesting that digital finance and Islamic values are not inherently contradictory but can coexist and mutually reinforce one another.

2.7 Digital Finance, Social Media, and the Reinforcement of Islamic Financial Norms

Despite extensive literature on Islamic finance, ethical economics, and youth financial behavior, limited research integrates these domains to examine how Islamic values operate as a **decision-making framework** among Generation Z. Most existing studies focus on institutional performance or general consumer preferences, leaving individual-level behavioral mechanisms underexplored.

This study addresses this gap by positioning Islamic values as an internalized ethical system that interacts with digital literacy, social influence, and economic rationality. By examining both attitudes and actual financial behaviors, the research contributes a nuanced understanding of how faith-based values continue to shape financial decision-making in a rapidly evolving economic environment.

Method

This study was designed to explore how Islamic values function as a foundational reference in financial decision-making among Generation Z. To achieve this objective, the research adopted a mixed-method approach that combines quantitative analysis with qualitative inquiry. This approach was considered appropriate because financial decision-making influenced by religious values involves both measurable behavioral patterns and subjective ethical reasoning that cannot be adequately captured through a single methodological lens.

The quantitative component employed a cross-sectional survey to capture prevailing financial behaviors and value orientations among Muslim members of Generation Z. Participants were defined as individuals aged 18 to 26 years who had prior experience managing personal finances, including savings, expenditures, or digital financial services. Data collection was conducted through academic networks and online distribution channels, allowing access to respondents from varied educational and socio-economic backgrounds. After data screening, 450 responses were deemed valid and included in the analysis.

Survey items were developed to reflect key dimensions of Islamic values relevant to financial behavior, such as attitudes toward interest-based transactions, ethical considerations in income generation, commitment to charitable obligations, and perceptions of financial responsibility. Financial decision-making was measured through behavioral indicators related to saving discipline, borrowing preferences, spending control, and investment choices. Responses were recorded using a seven-point Likert scale to capture variation in intensity and agreement. Prior to full administration, the instrument was pilot-tested to ensure clarity, coherence, and internal consistency, with results indicating acceptable reliability across all constructs.

To complement the survey findings, qualitative data were gathered through semi-structured interviews with a purposively selected subset of participants. Interviewees were chosen to reflect diversity in financial experience, income levels, and degrees of religious engagement. The interviews focused on participants' personal interpretations of Islamic financial principles and how these principles influenced concrete financial decisions in daily life. This qualitative component provided contextual depth, enabling a richer understanding of motivations, dilemmas, and ethical reasoning that underpin observed behaviors.

Quantitative data were analyzed using descriptive and inferential statistical techniques, with particular emphasis on examining the relationship between Islamic value orientation and financial decision-making behavior. Control variables such as education level and digital financial familiarity were incorporated to isolate the specific contribution of Islamic values. Qualitative data were analyzed using thematic interpretation, allowing recurring patterns and meanings to emerge organically from participants' narratives. The integration of both data sources enhanced analytical rigor through triangulation.

Ethical considerations were maintained throughout the research process. Participation was voluntary, informed consent was obtained from all respondents, and anonymity was strictly preserved. While the cross-sectional design limits causal interpretation, the combination of statistical analysis and interpretive insights strengthens the credibility and academic robustness of the study.

Result and Discussion

Result

4.1 Influence of Islamic Values on Overall Financial Decision-Making

The findings of this study indicate that Islamic values play a substantial role in shaping financial decision-making among Generation Z. Quantitative analysis reveals that respondents with stronger internalization of Islamic values demonstrate more structured and ethically grounded financial behavior. These individuals tend to evaluate financial options through a moral lens, where compliance with religious principles becomes a key criterion in decision-making. Even after controlling for socio-demographic variables and digital financial literacy, Islamic value orientation remains a significant predictor, suggesting that religious ethics function as an independent and enduring influence rather than a secondary or symbolic factor.

From a broader perspective, these results challenge prevailing assumptions that Generation Z's financial decisions are driven primarily by technological convenience or short-term economic rationality. Instead, the findings suggest that Islamic values continue to serve as a normative foundation, offering guidance and stability in an increasingly complex financial environment. This reinforces the argument that religious ethics remain relevant in contemporary economic behavior, particularly among youth navigating uncertainty and rapid financial innovation.

4.2 Islamic Values and Saving Behavior

Saving behavior among Generation Z is shown to be closely linked to Islamic value orientation. Respondents who scored higher on Islamic value indicators consistently reported stronger saving habits and greater financial discipline. Saving is not merely perceived as a financial precaution but as an ethical responsibility aligned with Islamic teachings on prudence and stewardship. This orientation reflects the principle of *amanah*, whereby financial resources are viewed as a trust that must be managed responsibly rather than consumed impulsively.

Qualitative insights further illustrate that saving is often motivated by a desire to avoid future dependence on debt, which is perceived negatively within Islamic moral frameworks. Participants expressed that maintaining savings contributes to both financial security and emotional peace, reinforcing the idea that Islamic values encourage long-term planning and self-restraint. These findings contrast with narratives that portray young adults as financially impulsive, suggesting instead that value-based discipline can shape more sustainable financial behavior.

4.3 Spending Patterns and Ethical Consumption

The analysis reveals that Islamic values significantly influence spending patterns among Generation Z, particularly in fostering moderation and ethical awareness. Respondents reported heightened sensitivity toward the permissibility of goods and services, as well as a conscious effort to avoid excessive or wasteful consumption. Spending decisions were frequently framed as moments of ethical reflection rather than purely economic transactions, indicating that religious considerations actively shape consumption behavior.

Interview data support this interpretation, as participants described spending as a process of moral evaluation that involves assessing necessity, usefulness, and alignment with Islamic principles. This reflects the concept of *qana'ah*, which emphasizes contentment and restraint. In this regard, Islamic values appear to reinforce broader trends toward ethical consumption among younger generations, while providing a distinct religious rationale that strengthens commitment to responsible spending.

4.4 Investment Preferences and Risk Perception

Investment decisions among Generation Z are also strongly influenced by Islamic values, particularly in shaping attitudes toward risk and uncertainty. The results show that respondents with higher Islamic value orientation tend to adopt more cautious investment strategies, prioritizing ethical compliance and transparency over high-risk, speculative returns. Investments associated with prohibited sectors or excessive uncertainty are generally avoided, reflecting adherence to Islamic principles that discourage *gharar* and speculative behavior.

Qualitative findings indicate that while access to clearly Shariah-compliant investment instruments remains a challenge, especially within digital platforms, participants do not disengage from investment activities altogether. Instead, they actively seek information and alternatives that align with their values. This suggests that Islamic values do not hinder financial participation but rather shape the criteria through which investment opportunities are evaluated, promoting responsible and value-consistent engagement with financial markets.

4.5 Attitudes Toward Debt and Borrowing

Attitudes toward debt represent one of the most pronounced areas where Islamic values influence financial behavior. The findings demonstrate a clear reluctance among respondents with strong Islamic value orientation to engage in interest-based borrowing. Credit cards and consumer loans are often perceived as undesirable and are avoided unless deemed absolutely necessary. Debt is not viewed solely as a financial obligation but as a moral and psychological burden that carries long-term consequences.

Interview narratives reveal that this aversion to debt is rooted in a desire to maintain financial independence and personal dignity, values strongly emphasized within Islamic teachings. Participants frequently described debt as a source of anxiety and spiritual discomfort, reinforcing cautious borrowing behavior. This finding stands in contrast to common portrayals of Generation Z as heavily reliant on credit-based consumption, suggesting that Islamic values may serve as a moderating force against excessive indebtedness.

4.6 Role of Digital Finance and Social Media

Despite strong adherence to Islamic values, Generation Z respondents exhibit high levels of engagement with digital financial services. The findings indicate that digitalization does not diminish the influence of religious ethics; instead, it often facilitates their application. Participants actively use digital platforms to access financial information, compare products, and seek guidance on Shariah-compliant financial practices.

Social media and online religious communities play a particularly influential role in this process. Respondents reported that digital content, including discussions led by religious figures and financial educators, reinforces Islamic financial norms and enhances awareness of ethical considerations. This suggests that digital environments can function as spaces where religious values are reaffirmed and adapted, rather than eroded, within modern financial contexts.

4.7 Integration of Faith, Identity, and Financial Behavior

The findings also highlight the close relationship between faith, identity, and financial behavior among Generation Z. For many respondents, adhering to Islamic financial principles is not merely a technical choice but an expression of personal and religious identity. Financial decisions become a means through which values are enacted in everyday life, bridging abstract belief systems and concrete actions.

This integration suggests that Islamic values are deeply embedded within the decision-making processes of Generation Z, shaping not only what choices are made but also how those choices are understood and justified. From a theoretical standpoint, this supports perspectives that view religion as a lived and dynamic system of values that continues to influence behavior across domains, including finance.

4.8 Theoretical and Practical Implications

Taken together, the results demonstrate that Islamic values remain a meaningful and influential framework for financial decision-making among Generation Z. Rather than being displaced by digitalization or modern financial practices, these values coexist with technological advancement and shape how financial tools are utilized. The study contributes to existing literature by providing empirical evidence that integrates Islamic economics, youth financial behavior, and ethical decision-making.

Practically, the findings suggest that financial institutions and policymakers should recognize the ethical motivations underlying Generation Z's financial behavior. Developing transparent, accessible, and genuinely Shariah-compliant financial products, alongside culturally responsive financial education, may enhance engagement and trust among this demographic.

Discussion

The findings of this study demonstrate that Islamic values continue to play a meaningful and active role in shaping financial decision-making among Generation Z. Rather than being marginalized by modern financial practices, these values function as an internal ethical framework that guides how financial choices are evaluated and justified. Generation Z respondents did not perceive Islamic financial principles as constraints; instead, they regarded them as practical references that provide moral clarity in navigating complex financial environments.

The results further indicate that Islamic values coexist with, and are reinforced by, digitalization. Digital financial platforms, social media, and online religious communities serve as important channels through which Islamic financial norms are disseminated and reaffirmed. This suggests that technological advancement does not necessarily weaken religious influence; instead, it can facilitate the reinterpretation and application of faith-based values in contemporary financial contexts. Such findings challenge linear assumptions linking modernization with declining religious relevance.

Another key discussion point concerns the influence of Islamic values on attitudes toward debt, risk, and financial discipline. The strong aversion to interest-based borrowing and the preference for savings-oriented financial strategies reflect a moral interpretation of financial responsibility. For Generation Z, debt is not assessed solely in economic terms but also in relation to autonomy, accountability, and spiritual well-being. This ethical framing may act as a protective mechanism against excessive indebtedness and financial instability.

The study also highlights how Islamic values shape investment behavior and ethical consumption patterns. Respondents demonstrated cautious approaches to investment, favoring transparency, compliance, and social responsibility over speculative returns. These behaviors align with broader global movements toward ethical and sustainable finance, suggesting that Islamic values may reinforce, rather than contradict, contemporary ethical financial trends. This convergence underscores the relevance of Islamic ethics in modern economic discourse.

From a theoretical and practical standpoint, the findings emphasize the importance of incorporating moral and cultural dimensions into analyses of financial behavior. Islamic values influence not only observable financial actions but also the reasoning processes behind them, integrating faith, identity, and economic choice. For financial institutions and policymakers, recognizing these ethical motivations is essential for developing inclusive financial systems that resonate with the values of Generation Z and support sustainable financial engagement.

Conclusion

This study examined the role of Islamic values as a foundational framework in shaping financial decision-making among Generation Z, a demographic group navigating financial choices within a rapidly evolving digital and economic landscape. The findings demonstrate that Islamic values remain a significant and active influence on how young Muslims approach financial matters, including saving, spending, investing, and borrowing. Rather than functioning as abstract moral ideals, these values are translated into practical guidelines that inform daily financial decisions and behavioral discipline.

A key conclusion of this research is that Islamic values have not been weakened by modernization or digital financial innovation. On the contrary, Generation Z appears to integrate religious principles into contemporary financial contexts, using them as reference points when engaging with digital banking, investment platforms, and financial information available through online networks. This indicates that Islamic values are adaptable and continue to provide ethical clarity amid increasing financial complexity and choice.

The study also highlights the role of Islamic values in promoting financial responsibility and long-term orientation. Strong preferences for savings, cautious investment strategies, and avoidance of interest-based debt reflect an ethical approach that prioritizes sustainability and self-regulation. These behaviors suggest that Islamic values can function as a stabilizing force that mitigates impulsive consumption and excessive borrowing, challenges that are commonly associated with younger generations in modern financial systems.

From a theoretical perspective, the findings contribute to the literature by demonstrating that financial decision-making cannot be fully understood through value-neutral economic models alone. Islamic values shape financial behavior by embedding moral reasoning, identity, and accountability into economic choices. This supports interdisciplinary approaches that integrate ethical and religious dimensions into the study of financial behavior, particularly in youth populations.

Finally, the practical implications of this study are relevant for financial institutions, educators, and policymakers. Recognizing the ethical motivations of Generation Z may enhance the design of financial products, educational programs, and policy frameworks that align with Islamic principles. By acknowledging the continued relevance of faith-based values, stakeholders can foster more inclusive, ethical, and sustainable financial systems that resonate with the needs and values of the next generation.

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