

GENERATION Z'S INTEREST IN SHARIA SAVINGS: SEEN FROM THE INFLUENCE OF DIGITALIZATION, ECONOMIC CONDITIONS, AND SHARIA FINANCIAL LITERACY

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ABSTRACT

Sharia saving is something that not many generations of Z have done. This study aims to examine the role of the mediation of sharia financial literacy on the relationship between digitalization and economic conditions on sharia saving. This research model designs that digitalization and economic conditions affect sharia shaving, either directly or indirectly with sharia financial literacy as the mediating variable. The instrument used was in the form of a 19-item questionnaire sheet that had been tested for validity by content by 3 experts through expert judgement and calculated by Aiken. The hypothesis of this research model was empirically tested with survey data of 365 samples taken by purposive sampling. The results of data analysis using the structural equation of the lest square particle model (SEM-PLS) show that digitalization has a positive and significant effect directly on sharia financial literacy and sharia saving, and economic conditions have a positive and significant effect directly on sharia financial literacy and sharia saving. Sharia financial literacy is also able to mediate the relationship between digitalization and economic conditions, towards sharia saving with positive and significant results. The total influence on the interest of generation z to do sharia saving is 61.8%.

Keywords: digitalization, economic condition, sharia financial literacy, sharia saving

INTRODUCTION

The growth of Islamic banking currently continues to show better development. This is evidenced by the total assets of Islamic banking which reached IDR 892.17 trillion or grew by 11.21% (yoy) (OJK, 2022). Islamic banking itself has quite a fundamental difference from conventional banking. Islamic banking is banking that applies the principles and mechanisms of the sharia system, such as *mudaraba*, *musharaka*, *ijara*, *istina*, and others (Ahmad, et al., 2020). In addition, Islamic banking has quite high stability because it does not use an interest system, but profit sharing, so that Islamic banking has quite effective risk management compared to conventional banking (Nguyen, 2021). The rapid development of Islamic banking

is one of the reasons for the contribution of the community in saving. Saving is an activity of setting aside money not to be consumed, but rather deposited in banks to be managed and distributed in order to move the wheels of the economy (Wang, et al., 2023).

Currently, saving in Islamic banking is one of the attractive options in the midst of the rise of conventional banking products. Encouraging the use of Islamic banking products can encourage the realization of kaffah Muslims considering that the majority of Indonesia's population is Muslim (Statista, 2023). Generation Z is the dominant population in this country who was born between 1997 and 2012 with a total of around 74.93 million people or 27.94% of the total population (GoodStats, 2023). This is a promising opportunity for the growth of Islamic banking if Generation Z has a great interest in using these Islamic banking products. The factors that can affect the interest in saving sharia in generation Z include digitalization, economic conditions, and sharia financial literacy.

The first factor that affects the interest of generation Z in saving sharia is digitalization. Digitalization is a process of transferring media from analog to digital by using technology to increase the effectiveness and efficiency of work or business (Larassati & Fauzi, 2022). Furthermore, digital finance is an innovative product that combines the principles of technology with finance that is able to increase the efficiency and effectiveness of banking in providing banking products to consumers (Li & Zhang, 2024). Digital transformation in banking can be seen from the decrease in the number of ATMs and the increase in smartphone use, where the decrease in ATM use in May 2023 was 4.82 million and in May 2024 increased to 3.86 million (BI 2024). A positive trend occurred in the use of smartphones in Indonesia from 65.87% of users in 2021 to 67.88% in 2022 (BPS 2024). This is a considerable opportunity in developing Islamic banking product services so that the expansion of banking services can be more global (Mawardi, et al., 2024). In addition, this digitalization makes it easier for banking consumers to access banking product services flexibly (Menne, et al., 2022).

The next factor is economic conditions. One of the benchmarks of economic conditions is income. Income is the amount of material received by the community in accordance with the type of work done by each community (Wang-Ly & Newell, 2024). Indonesia is a country with an upper middle country position with an average income of USD4787.9 in 2022 and increasing to USD4940.5 in 2023 (World bank, 2023). Meanwhile, the percentage of poor people in Indonesia in 2023 is 9.36%, down 0.18% from the previous year (BPS, 2023). With the improving economic conditions, it is hoped that the public, especially Generation Z, can allocate their finances to save in Islamic banking.

Islamic financial literacy is an understanding of sharia concepts that are applied in making decisions in accordance with sharia principles to achieve benefits (Antara, et al., 2016). Data from the Financial Services Authority revealed that the Islamic financial literacy index in Indonesia increased from 8.98% to 9.14% in 2022 (yoy) and the Islamic financial inclusion rate also increased from 9.12% to 12.12% in 2022 (yoy) (OJK, 2022). Research conducted by Resti Fadhilah Nurrohmah (2020) revealed that the level of Islamic financial literacy has a positive effect on interest in saving sharia money. This is strengthened by research from Bahru Ilmi Dafiq et al. (2022) that the level of Islamic financial literacy has a significant effect on interest in saving sharia money. This indicates that the better the level of Islamic financial literacy, the more interest of Generation Z in sharia savings products can increase.

Seeing this phenomenon, namely digitalization, good economic conditions, and increasing Islamic financial literacy, it is hoped that the public, especially Generation Z, can have an interest in saving sharia that is getting better. Therefore, research related to the influence of digitalization, economic conditions, and Islamic financial literacy as mediating variables on interest in sharia savings is urgently carried out. This is because sharia savings is one way to increase the contribution to economic growth, especially the sharia economy in Indonesia.

METHOD, DATA, AND ANALYSIS

This study is descriptive quantitative research used to examine the influence of digitalization and economic conditions through sharia financial literacy on Generation Z's interest in sharia saving. The purposive sampling technique was used to sample 356 students taken by purposive sampling. The instrument used was a 19-item questionnaire sheet whose content validity had been tested by 3 experts through expert judgment and calculated using Aiken (Aiken, 1985). The instrument was also confirmed reliable after being tested for the Cronbach Alpha reliability coefficient. A valid and reliable instrument is used to see how influential the Influence of Digitalization (D) and Economic Conditions (EC) through Sharia Financial Literacy (SFL) is on Generation Z's interest in Sharia Saving (SS).

Research Methodology

SEM-PLS path analysis is used to see the relationship through outer model and inner model tests. The research model in this study is presented in Figure 1.

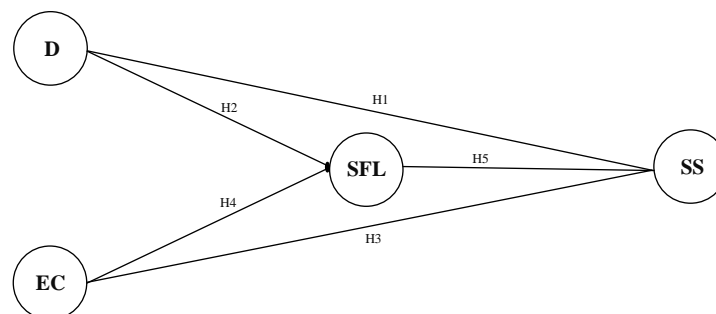


Figure 1. Research Model

Based on figure 1, this study has 5 research hypotheses which include:

- H₁ : Digitalization has a positive effect on Sharia Saving
- H₂ : Digitalization has a positive effect on Sharia Financial Literacy
- H₃ : Economic Conditions has a positive effect on Sharia Saving
- H₄ : Economic Conditions has a positive effect on Sharia Financial Literacy
- H₅ : Sharia Financial Literacy has a positive effect on Sharia Saving

Using SEM-PLS, hypothesis testing findings can be obtained concurrently with the reduction of structural flaws (Hair, 2022). To explain the relationship between latent variables and their indicators, SEM-PLS analysis was carried out in two stages: (1) evaluation of the measurement model, or outer model, and (2) evaluation of the structural model, or inner model, which explains the relationship between latent variables/constructs.

RESULT AND DISCUSSION

Generation z's view of the decision to save in Islamic banks can be seen from the instruments that have been tested for validity in this way by 3 experts, to ensure that the instruments are reliable according to experts (Nurrahman et al, 2022; Mardapi, 2017). The results of Aiken's calculation analysis are presented in Table 1.

Table 1. Content Validity Test Result

No	V. Value	Criteria	No	V-value	Criteria
1	0.92	Valid	11	0.83	Valid
2	0.92	Valid	12	0.92	Valid
3	0.83	Valid	13	0.83	Valid

No	V. Value	Criteria	No	V-value	Criteria
4	0.75	Valid	14	0.83	Valid
5	0.83	Valid	15	0.92	Valid
6	1.00	Valid	16	1.00	Valid
7	0.83	Valid	17	0.92	Valid
8	0.92	Valid	18	0.83	Valid
9	0.92	Valid	19	0.92	Valid
10	0.83	Valid			

Table 1 is the result of the content validity test which shows that the 19 instruments used are all valid, because the v-value ranges from 0.75 - 1.00 > 0.6. The instrument is then used to retrieve data. The results of the analysis using the partial least square model structural equation (SEM-PLS) were used to present the relationship between the variables of Digitalization (D), Economic Conditions (EC), and Sharia Financial Literacy (SFL) as seen from the perception of generation z towards their interest in choosing Sharia Saving (SS). To ensure that there is a good structural model, it can be seen from the results of the validity of discrimination and reliability. The results of the validity of discrimination are presented in Table 2.

Table 2. Discriminant Validity

<i>Fornell-Larcker Criterion</i>	1	2	3	4
1. Digitalization (D)	0.722			
2. Economic Conditions (EC)	0.555	0.737		
3. Sharia Financial Literacy (SFL)	0.663	0.524	0.830	
4. Sharia Saving (SS)	0.656	0.560	0.742	0.719

Table 2 presents the results of the validity of discrimination by comparing the square root of AVE with the correlation between constructions. The square root of AVE in the diagonal column is fulfilled or it can be said that all variables in this study are valid because they exceed the correlation between constructions or > 0.7 so that the criteria for the validity of discrimination (Hair, 2022). After the results of the validity of the discrimination were declared valid, then the reliability criteria were analyzed and the construction validity assessment was carried out by knowing the value of the Alpha Cronbach Coefficient and the Composite Reliability Coefficient and the Average Variance that were removed. The results of the reliability construction are shown in Table 3.

Table 3. Hasil Construct Reliability

<i>Constructs</i>	<i>Cronbach Alpha</i>	<i>Composite Reliability</i>	<i>Average Variance Extracted</i>
1. Digitalization (D)	0.771	0.843	0.521
2. Economic Conditions (EC)	0.787	0.854	0.544
3. Sharia Financial Literacy (SFL)	0.849	0.898	0.686
4. Sharia Saving (SS)	0.768	0.836	0.517

Based on Table 3, it is known that the variables meet the reliability coefficient criteria with Cronbach Alpha with values (0.768–0.849 > 0.6) and *Composite Reliability* (0.836–0.898 > 0.6), and *Average Variance Extracted* values (0.517–0.686 > 0.5). Based on these values, it can be concluded that all variables meet reliable criteria because they have variable values of more than 6 (Hair, 2022). Furthermore, the results of the calculation of the influence or relationship

between the variables regarding the structural model and the results of the interactive effect are presented in Table 4 and the estimated structural model of the path in Figure 2.

Table 4. Structural model and interactive effect result

Hypothesized paths	β	T Statistics	p-value	Conclusion
D → SS	0.229	5.476	0.000	H ₁ is supported
D → SFL	0.538	14.256	0.000	H ₂ is supported
EC → SS	0.170	3.476	0.001	H ₃ is supported
EC → SFL	0.225	4.830	0.000	H ₄ is supported
SFL → SS	0.501	9.590	0.000	H ₅ is supported

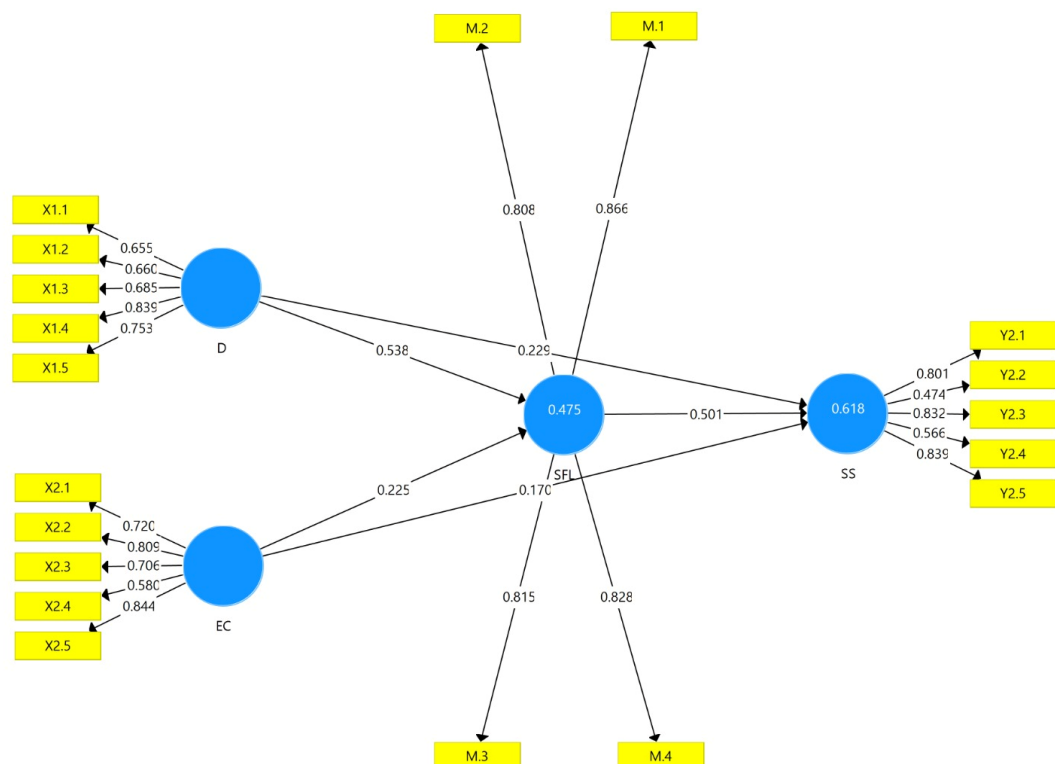


Figure 2. Structural model estimates

Table 4 presents the structural model and the results of the interactive effects of hypothesis testing in the form of path coefficients and significance listed in the structural model estimates in figure 2. Based on these results, it is known that all hypotheses are supported. Digitalization has a positive effect on interest in saving sharia and Islamic financial literacy with standard coefficients of 0.182 and 0.535 (significant at $\alpha 0.000 < 0.05$) which means that H₁ and H₂ are supported. Digitalization can make Islamic financial products more transparent, accessible, and user-friendly, thereby increasing their attractiveness and use among customers, especially generation z (Ali et al, 2021; Hassan et al., 2022). In sharia savings, digital banking platforms make it easier for customers to access sharia savings accounts flexibly anywhere, increasing convenience thereby encouraging more people to save Digital platforms can offer a wealth of education, such as articles, videos, and webinars, to help users understand sharia-compliant financial principles (Solehudin et al, 2024).

The results of SEM-PLS in Table 4 and Figure 2 also show that economic conditions have a positive effect on sharia savings with a standard coefficient of 0.170 (significant at $\alpha 0.001 < 0.05$), and have a positive effect on sharia financial literacy at 0.225 (significant at α

0.000<0.05) which means that H2 and H3 are supported. Basically, even though challenging economic conditions can increase sharia savings because with good economic conditions, especially in stable economic stability, people are confident to save and their money is not reduced due to inflation or other financial risks (Hudaya & Firmansyah, 2023) This condition can also increase Islamic financial literacy because individuals are looking for better financial management strategies. The presence of economic instability can encourage individuals to seek better financial management strategies (Friedline et al., 2021), which leads to greater interest in financial literacy, especially to know the principles of Islamic finance

The analysis then continues by looking at the role of sharia financial literacy in carrying out its role as a mediator between the influence of digitalization and economic conditions on sharia saving for Generation Z. The results of testing the mediating effect of sharia financial literacy are presented in Table 5.

Table 5. Result of Testing the mediating effect of SFL

<i>Structural paths</i>	β	<i>T Statistics</i>	<i>p-value</i>	<i>Conclusion</i>
1. D → SFL → SS	0.271	7.991	0.000	Significant
3. EC → SFL → SS	0.113	4.563	0.000	Significant

Based on the results of the SFL mediation effect test in Table 5, it is known that the results of the indirect effect test show significance. These results show support for SFL's theory regarding digitalization and economic conditions for generation Z savings in Sharia Banks. This study shows that there is empirical evidence that shows that the influence of digitalization will increase the understanding or literacy of Islamic finance which in turn affects the decision of generation Z to save in Islamic banks. In addition, the existence of good economic conditions will affect the literacy or understanding of generation Z about finance in accordance with sharia principles (Osman, 2024). This will influence generation Z to save in Islamic banks

The test results show that the direct effects of D and EC on SS are significant. This shows that the mediating effect of SFL is a partial mediating variable that occurs when the direct effect and the indirect effect are both partial. Partial mediation explains that there are mediation variables other than those examined by this study. The results of this study provide practical significance that can be used in the decision to save at Islamic banks. The existence of technological developments and good economic conditions can be used as innovations in managing finances because it can increase public literacy related to Islamic finance so as to affect the awareness of Generation Z in saving and investing in Islamic banks (Lin & Ma, 2022; Feng et al., 2022)

CONCLUSION

The results of this study provide empirical evidence that supports the hypothesis, namely that SFL can mediate the relationship between digitalization, economic conditions, and sharia saving. Digitalization has a positive effect on sharia saving and sharia financial literacy. The influence of digitalization will increase Islamic financial literacy, which in turn affects Generation Z's decision to save in Islamic banks. Then, the existence of good economic conditions will affect the literacy or understanding of Generation Z regarding Islamic finance. Empirical evidence shows the mediating role of SFL variables in the relationship between digitalization and economic conditions on sharia savings seen from the perception of Generation Z.

The main contribution of this research is to develop research variables that include Digitalization (D) and Economic Conditions (EC) by providing empirical evidence regarding the influence of sharia financial literacy mediation on digitalization relationships and economic conditions on sharia saving using a mediation model.

There are several limitations to this study. Research on the influence of sharia financial literacy mediation on digitalization relationships and economic conditions on sharia is still relatively new, so this research can be considered exploratory. Despite the limitations, this study seeks to overcome the limitations of empirical research on the influence of financial literacy mediation on digitalization relationships and economic constraints on savings sharia.

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