

Views on Generation Islamic Banking Literacy: Bridging The Economic Gap and Improving Welfare

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Abstract

This research examines financial literacy, specifically related to Islamic banking, and its impact on Islamic banking lending and penetration in Indonesia. Qualitative and exploratory methods were used with data from a literature review and content analysis and FGDs. The results showed a majority understanding of Islamic banking, but variations in product usage among Generation Z. Islamic banking literacy is considered key to economic sustainability and alleviating generation Z poverty, emphasizing the importance of socializing this literacy to increase its effectiveness. Keywords: Financial Literacy, Islamic Banking, Generation Z. This research examines financial literacy, specifically related to Islamic banking, and its impact on Islamic banking lending and penetration in Indonesia. Qualitative and exploratory methods were used with data from a literature review and content analysis and FGDs. The results showed a majority understanding of Islamic banking, but variations in product usage among Generation Z. Islamic banking literacy is considered key to economic sustainability and alleviating generation Z poverty, emphasizing the importance of socializing this literacy to increase its effectiveness

Keywords: *finansial literacy; islamic banking; generation z*

INTRODUCTION

Banks serve as intermediary financial institutions that fulfill multiple roles, including the collection and allocation of funds, as well as the provision of a wide range of services. The financial health and performance of banks are often assessed by examining their profitability. In recent years, the concept of financial literacy has gained significant attention and become a prominent topic of discussion globally. This heightened interest is largely driven by the desire of nations to ensure that their citizens share a common approach to managing and monitoring their financial resources. As populations continue to grow and financial markets evolve rapidly, an understanding of financial literacy has become crucial for fostering a well-informed and financially responsible society (Junior et al., 2024).

Students' ignorance of Islamic banking or finance leads to poor lending. In addition, there is a problem with low market share due to a lack of product innovation, which makes customers hesitant to apply for financing (Saputra, 2022), In addition, it is said that a lack of financial knowledge, including Islamic financial knowledge, will affect generation Z and young people, who will be more likely to apply for financing. should be more ready to accept and use new technology (Risa Nur Aulia et al., 2021).

Despite Indonesia's Muslim majority and strong Islamic atmosphere, Sharia banking only accounts for 10% of the population, despite the introduction of Sharia banks for only two decades. However, financial products that are compliant with Sharia principles, ethics, and community morals are often difficult to find in rural areas (N. M. Lestari, 2019). Despite two decades since the introduction of Islamic banking, gaps in access and understanding in some areas, especially in rural areas, are still a reality. In rural areas, where the need for Shariah-compliant financial products is critical, the difficulty in finding and accessing such services can be a major barrier. Therefore, efforts to increase the penetration of Islamic banking should focus on more intensive education, in-depth local understanding, and expansion of Islamic banking infrastructure to remote areas. By taking into account the ethical and moral values of the community, these measures can help accelerate the growth of the Islamic banking industry in Indonesia.

Understanding well the principles and mechanisms of Islamic banking transactions can encourage people to use Islamic banking services. In addition, increasing the understanding of Islamic banking literacy will also increase the trust and quality of public transactions in Islamic banks. In the context of Islamic financial inclusion, the level of Islamic financial literacy is also related to how much the community utilizes Islamic financial services (Adiyanto & Purnomo, 2021). Therefore, it is important for students to understand Islamic finance or banking because a good understanding of banking literacy can provide maximum benefits.

To address the low penetration of Islamic banking in Indonesia and improve financial literacy, the Bank needs to implement comprehensive strategies. These measures include enhancing financial literacy programs through collaboration with educational institutions, government, and non-profit organizations. The importance of focusing on Sharia product and service innovation, development of attractive products, and improved access through modern technology is also highlighted. Expansion into rural areas with a specialized educational approach on Sharia products and collaboration with higher education institutions was considered a crucial step. By combining intensive efforts in financial literacy, product innovation, technology utilization, and geographical expansion, the Bank is expected to play an active role in increasing public interest in Islamic banking, create a quality financial environment, and support sustainable economic growth.

The low penetration of Islamic banking in Indonesia is a significant challenge, and this issue is compounded by the inadequate literacy in Islamic banking among students. A lack of understanding of Islamic banking principles and products can hinder students from making informed financial decisions, which is particularly concerning given that they represent a critical demographic for future financial inclusion. This gap in literacy can lead to suboptimal choices, such as taking out loans without fully comprehending the sharia-compliant alternatives available. As university students and Generation Z are poised to shape the future of Islamic finance in Indonesia, addressing this literacy gap is crucial for both individual financial well-being and the broader adoption of Islamic banking.

To effectively address this challenge, it is essential to conduct comprehensive research on the quality of Islamic banking literacy among university students and Generation Z. Such research should evaluate their understanding of core concepts, the variety of products offered by Islamic banks, and the implications of using these services on their financial decisions. By assessing their level of literacy, educators and policymakers can identify gaps and develop targeted educational

programs that cater to the needs of this demographic. This approach would not only improve the financial literacy of students but also enhance the overall quality of financial decisions made by this group, thereby supporting better outcomes in both personal finance and broader economic contexts.

Enhancing Islamic banking literacy among university students and Generation Z has the potential to transform them into powerful agents of change, driving the future of Islamic financial inclusion in Indonesia. By equipping them with a deep understanding of Islamic banking, they can become advocates for sharia-compliant financial practices, influencing their peers and the wider community. As their knowledge and confidence in Islamic banking grow, so too will the overall penetration of these services in Indonesia. This, in turn, will contribute to a more inclusive and resilient financial system, helping to fulfill the promise of Islamic finance in promoting economic equity and social justice.

The purpose of this paper is to identify and discuss the quality of financial literacy, particularly in relation to Islamic banking, and its impact on loan quality and penetration of Islamic banking in Indonesia. Emphasis is given to the importance of financial literacy in creating a quality society, and how low levels of literacy, especially among university students and generation Z, can be an obstacle in applying for financing and increasing interest in Islamic banking. And the objectives in this study provide an in-depth understanding of the complexity of financial literacy issues, especially in the context of Islamic banking, and how this relates to the level of Islamic financial inclusion in Indonesia. In addition, this paragraph also highlights the need for comprehensive strategies, such as increasing financial literacy programs, focusing on product and service innovation, and expanding into rural areas with special education. The aim is to overcome the challenge of low Islamic banking literacy and penetration, so that banks can play an active role in creating a quality financial environment and supporting sustainable economic growth.

The challenge of low penetration of Islamic banking in Indonesia can be exacerbated by the low quality of student literacy in Islamic banking. Inadequate literacy can have a direct impact on students' understanding of Islamic banking products and principles. Along with that, the impact can also be felt on the quality of loans taken by students, because a lack of in-depth understanding can lead to suboptimal financial decisions. In this context, it is important to understand that university students and Generation Z have a key role in building the foundation of Islamic financial inclusion in the future. Therefore, it is necessary to conduct an in-depth study of the quality of Islamic banking literacy among university students and Generation Z. This research could include an evaluation of their level of understanding of the concept of Islamic banking, the products offered, and the impact of using these services on their financial decisions. Through a better understanding of Islamic banking literacy among university students, educational measures can be identified that can be implemented to improve their understanding. This will not only support the improvement of student loan quality, but can also play an important role in increasing the overall penetration of Islamic banking in Indonesia. By improving Islamic banking literacy, it is hoped that university students and Generation Z can become agents of change that accelerate Islamic financial inclusion in Indonesia.

The purpose of this paper is to identify and critically discuss the quality of financial literacy, with a particular focus on Islamic banking, and its significant impact on both loan quality and the overall penetration of Islamic banking in Indonesia. This study emphasizes the crucial role of

financial literacy in fostering a knowledgeable and economically empowered society. It explores how insufficient levels of literacy, especially among university students and Generation Z, can pose substantial barriers to accessing financing and hinder the growth and popularity of Islamic banking institutions. By delving into these issues, the paper aims to provide a comprehensive understanding of the intricate relationship between financial literacy and Islamic banking, particularly in the context of Indonesia's unique financial landscape.

Furthermore, this study seeks to uncover the underlying factors that contribute to the low levels of Islamic banking literacy and the corresponding challenges in increasing financial inclusion. The objectives of this research extend beyond mere analysis, aiming to provide actionable insights into how financial literacy, particularly in the realm of Islamic banking, can be improved to enhance the quality of financial decision-making among young adults and the broader population. The paper also underscores the urgency of implementing comprehensive strategies that include expanding financial literacy programs, innovating Islamic banking products and services to cater to diverse needs, and focusing on outreach efforts in rural areas through specialized educational initiatives.

The ultimate goal is to address the pressing issue of low Islamic banking literacy and penetration by enabling banks to play a more proactive role in creating a robust financial environment. This, in turn, supports sustainable economic growth and development by ensuring that a larger portion of the population is financially literate and capable of making informed financial decisions that align with Islamic principles. Through this multifaceted approach, the paper aspires to contribute to the ongoing discourse on financial inclusion and the vital role of Islamic banking in achieving broader socioeconomic objectives in Indonesia.

LITERATURE REVIEW

1. Financial Literacy

Financial literacy, according to Remund (2010), encompasses a person's ability to manage their finances quickly and appropriately while taking into account economic changes. According to Huston (2010), financial literacy consists of two important aspects: the understanding of personal financial knowledge and the application of that knowledge. He says that financial literacy is a person's level of knowledge and utilization of their financial information. Financial literacy is the combination of resources, skills, and knowledge required for information processing and financial decision-making, according to Mason and Wilson (2000). However, according to Lusardi and Mitchell (2014), financial literacy is defined as a person's ability to process economic information and make decisions about financial planning, wealth accumulation, debt, and retirement, as well as how to spend money for those purposes. As categorized by Mandell (2016), socioeconomic and demographic background, aspirations, and education are some of the factors that influence financial literacy (Candera et al., 2020).

2. Islamic Banking

Part of the Islamic economy is Islamic banking, which aims to apply Islamic values and ethics in economic activity. Islamic banks were established due to strong pressure from Muslims to avoid bank transactions that contain usury. The prohibition of usury in Islam is the main basis for Islamic banks in carrying out their business activities, so their

transactions must be interest-free. Islamic banking has developed until now to many countries, including Western countries (Nur, Agus Waluyo, 2007).

Islamic banking is an integral part of Islamic economics that aims to implement Islamic values and ethics in economic activity. Born as a response to the demands of Muslims who want to avoid banking transactions involving interest or usury, Islamic banking institutions make the prohibition of usury the main principle in its operations. As a result, transactions in Islamic banking must be free of interest. This phenomenon has spread to various countries, including Western countries, indicating the interest and development of Islamic banking at the global level. The success of Islamic banking shows that this model is not only an alternative for Muslims who want to adhere to the principles of their religion, but also attracts attention and is widely accepted in various communities (Islam & Abdurrahman, 2023).

3. Economic GAP

Initially, industrialization in developing countries was based on the concept of the trickle-down effect, meaning that an elite group gained exclusive rights to control economic resources, with the expectation that the trickle-down effect would result in benefits for the general public (D. S. T. Lestari & Ainulyaqin, 2022). However, the fact is that the domination of strategic assets is now increasingly concentrated in the hands of a small number of individuals and groups, which makes the expected impact on the whole society unattainable. If there is any impact on the lower strata, it is only very limited. As a result, the level of economic disparity between the haves and have-nots is increasing. This can be seen through the increase in the Gini ratio in a number of countries, where the Gini ratio is used as an indicator to measure the overall level of inequality or disparity in income distribution.

To date, the Lorenz curve and Gini ratio are the most commonly used tools to measure the level of inequality, according to Irfan (2016). These measurement tools are widely employed within the field of conventional development economics, serving as key instruments for evaluating and analyzing various aspects of economic growth and progress. While these tools are primarily designed with conventional economic principles in mind, they are not inherently contradictory to the core principles and values of Islamic economics. As a result, they can be effectively adapted and utilized within the framework of Islamic development economics. This adaptability allows for the integration of conventional measurement methods into Islamic economic practices, ensuring that the evaluation of economic development aligns with both traditional economic criteria and the ethical guidelines set forth by Islamic teachings. By bridging the gap between conventional and Islamic economics, these tools provide a versatile means of assessing economic progress in a manner that respects and upholds the values of Islamic development.

Justice and inequality are deeply intertwined, as inequality often manifests in the form of unequal access to resources, opportunities, and information. Justice, in its most fundamental sense, is about fairness and equity, ensuring that all individuals have the same opportunities to succeed and thrive. However, when inequality persists, it disrupts the fabric of society, creating a divide between those who have access to wealth, power, and resources, and those who do not. This divide can be starkly seen in the contrast between the well-developed areas of major cities and the underdeveloped regions in other parts of the

country, where basic necessities such as electricity remain inaccessible. In the context of development, inequality is not merely an economic issue but a social one as well. Development should ideally be a process of change that promotes equal opportunities for all, allowing individuals from different backgrounds and regions to benefit from progress. However, when development is uneven, it leads to a concentration of wealth and resources in certain areas, leaving others behind. This can be observed in the juxtaposition of grand, modern buildings in metropolitan areas against the backdrop of shanty towns where basic infrastructure is lacking. The inequality is not just in the physical landscape but also in the quality of life, access to education, healthcare, and economic opportunities.

The situation in Indonesia exemplifies this disparity, where large cities like Jakarta or Surabaya are well-developed, boasting modern amenities and infrastructure, while many rural areas, particularly those outside of Java, struggle with basic issues such as access to electricity. This lack of infrastructure hampers the economic potential of these regions and perpetuates the cycle of poverty and inequality. Addressing these disparities requires a concerted effort from both the government and civil society to ensure that development is inclusive, reaching all corners of the country. It is only through such efforts that justice can be truly realized, where every citizen, regardless of their geographic location, has the opportunity to improve their quality of life and contribute to the nation's progress.

Moreover, the persistence of such inequality poses a threat to social cohesion. As the gap between the affluent and the marginalized widens, feelings of resentment and injustice can grow, leading to social unrest and instability. For a nation to progress sustainably, it is essential to bridge this gap, ensuring that the benefits of development are shared equitably. This involves not only investing in infrastructure in underdeveloped regions but also empowering local communities through education, skills development, and access to information. By addressing the root causes of inequality, such as the lack of access to resources and opportunities, a more just and harmonious society can be built. Furthermore, the issue of inequality also extends to the realm of information disclosure. In an increasingly digital world, access to information is a key determinant of success and empowerment. Yet, in many underdeveloped regions, access to the internet and digital technologies is limited, further exacerbating the inequality gap. Ensuring that all citizens have access to information is crucial for fostering informed decision-making and participation in the democratic process. Without equal access to information, the promise of justice remains unfulfilled, as only a select few have the knowledge and resources to influence the course of their lives and communities.

In conclusion, justice and inequality are inextricably linked, with the latter often serving as a barrier to the former. To achieve a just society, it is imperative to address the inequalities that exist within it, whether they manifest in economic disparities, access to resources, or information. By focusing on inclusive development, where all individuals have the opportunity to succeed, and by ensuring that the benefits of progress are equitably distributed, a more just and equitable society can be created.

METHOD

1. Research Type and Approach

This research can be categorized as a qualitative study that adopts a descriptive and interpretive approach to explore the phenomenon under study thoroughly. This approach aims to achieve a holistic and deep understanding of the research topic, paying attention to the context and complexity involving the research subject (L.J Moleong, 2022). The research approach involves employing two distinct methods to construct a foundational solution idea, serving as the initial step toward addressing the identified problem. This solution is then meticulously examined and refined through comprehensive analysis and discussion. The primary goal of this research and development (R&D) design is to develop a practical and effective solution to the issue at hand by systematically exploring various aspects of the problem. This type of research, often referred to as desk research, is conducted by thoroughly reviewing and synthesizing a wide range of existing literature related to the research topic. By analyzing previous studies, theoretical frameworks, and relevant data, the research aims to build a solid foundation for the proposed solution, ensuring it is grounded in established knowledge while also contributing new insights. The desk research approach allows the researchers to draw from diverse sources, offering a well-rounded perspective that enhances the validity and applicability of the proposed solution. Ultimately, this method not only aids in problem-solving but also advances the academic and practical understanding of the topic, paving the way for future research and development efforts.

2. Data Collection Technique

This research utilized primary data sources, employing field surveys and direct interviews as key methods for information collection. Field surveys provided a first-hand account of the prevailing conditions, capturing real-time data that reflects the actual environment and experiences of the participants. On the other hand, in-person interviews facilitated more profound and nuanced interactions, allowing the researchers to delve deeper into the participants' thoughts, perceptions, and motivations. This dual approach not only ensured the collection of high-quality data but also provided a comprehensive understanding of the research topic. By combining the empirical data from the field with the rich qualitative insights from the interviews, the research was able to deliver a more robust and detailed analysis (Ibrahim, Muhammad Buchori, 2023).

3. Data Processing and Analysis

To ensure the accuracy of the data, a selection process has been used to analyze it thoroughly. After verifying that the data collected is sufficient, the next step is to determine the problem to be investigated. A solution idea as a thoroughly explained solution step emerges as a result of the problem. According to (Almeida et al., 2016), content analysis is used in the process of analyzing research data. This technique involves evaluating the content of secondary data sources according to their requirements and conditions set by the researcher. After data analysis, focus group discussions (FGDs) were conducted to clarify the results. Planning, execution, and drafting are the steps required to carry out this research.

RESULTS OF DISCUSSION

1. The Urgency of Islamic Banking Literacy

Islamic banking literacy is becoming increasingly crucial as Islamic banks continue to expand and play a significant role in the global financial landscape. Unlike conventional banks, Islamic banks operate based on sharia principles, which include the prohibition of interest (riba), risk-sharing, and profit-and-loss sharing. These principles can be complex and unfamiliar to many, making it essential to enhance public understanding of how Islamic banking functions. By improving literacy in this area, individuals can make informed financial decisions that align with their ethical and religious values, contributing to their financial well-being.

The journey of Islamic banking in Indonesia, beginning in the 1990s with Bank Muamalat, highlights the importance of strategic efforts to educate the public about the benefits and unique aspects of Islamic finance. Misconceptions that Islamic banking is only for Muslims need to be addressed, as its ethical and equitable approach appeals to a broader audience. Educational initiatives, ranging from basic introductions to advanced courses, should be developed and tailored to different segments of society. Leveraging digital platforms, including social media and mobile apps, can significantly enhance the reach and effectiveness of these educational efforts.

Enhancing Islamic banking literacy has long-term benefits not only for individuals but also for society as a whole. As more people become aware of and use Islamic banking products and services, the demand for ethical and sharia-compliant financial solutions will grow. This can lead to a more diversified and resilient financial system, fostering innovation and contributing to economic stability. Ultimately, improving Islamic banking literacy is a step toward creating a more inclusive, equitable, and sustainable financial landscape.

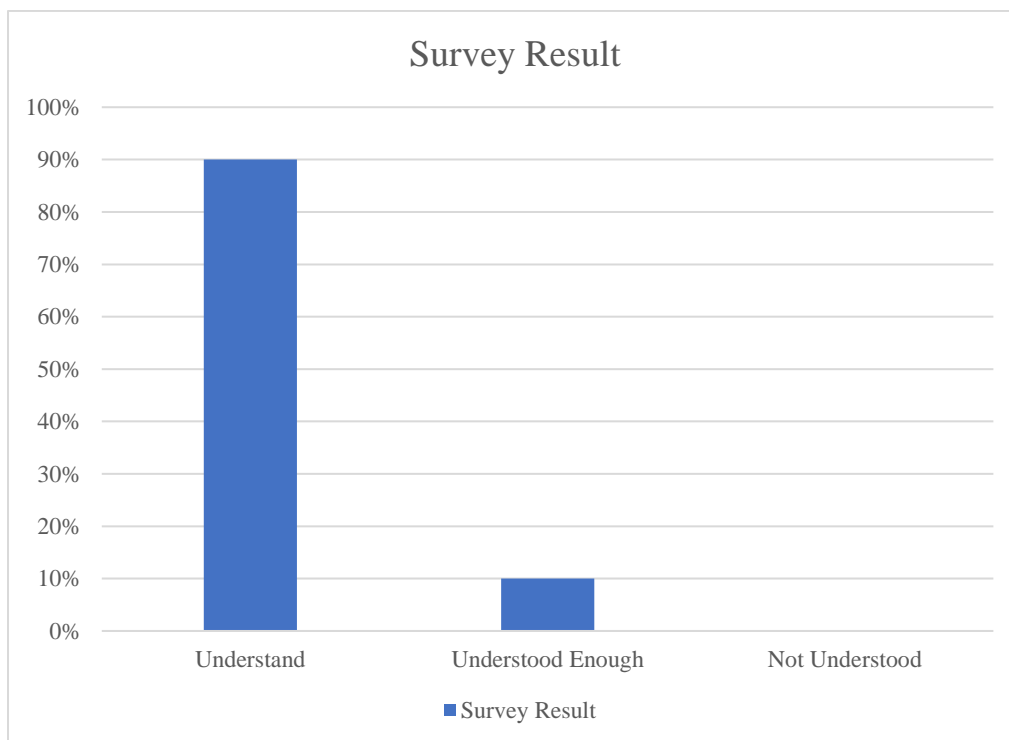
Overall, literacy is the key ingredient that enables individuals to interact successfully in the information-heavy world we have today. More than just basic skills, literacy empowers individuals to understand, interpret and use the wide range of information they encounter on a daily basis. With strong literacy, one can access knowledge, seize opportunities and overcome challenges with more confidence. In personal and professional life, literacy skills provide the foundation that enables people to develop themselves, communicate effectively and adapt to changing environments better. As such, literacy not only provides intellectual freedom, but also broaden the horizons of individuals in achieving success in various aspects of their lives.

2. Observation Results

Research conducted through interviews with students at UIN Gus Dur Pekalongan, most of whom are Muslim, sheds light on their perceptions and preferences toward Islamic banks. These insights are crucial in understanding the factors that influence their banking choices, particularly in relation to sharia-compliant financial products. The students' responses highlight the importance of religious alignment with their financial practices, demonstrating a preference for banking institutions that adhere to Islamic principles. This preference is rooted in a desire to ensure that their financial dealings are in line with their religious beliefs, which underscores the significance of Islamic banking in their daily lives.

Given these findings, it becomes evident that efforts to build a strong understanding of Islamic banking among the general public, including university students, are essential for the continued growth and acceptance of Islamic banking in Indonesia. Educational initiatives and outreach programs aimed at increasing awareness and knowledge about the principles and benefits of Islamic banking could play a pivotal role in influencing banking preferences. By providing students with comprehensive information and practical examples of how Islamic banking operates, financial institutions can foster a deeper connection with this demographic, ultimately leading to greater trust and usage of sharia-compliant financial products.

In the broader context, the increasing acceptance of Islamic banking among university students has the potential to drive significant growth in the sector. As this educated and financially active group becomes more engaged with Islamic financial services, their influence can extend to their families and communities, further solidifying the role of Islamic banks in the Indonesian financial landscape. Therefore, it is crucial for stakeholders in the Islamic finance industry to continue investing in educational and promotional efforts that resonate with university students, ensuring that the principles of Islamic banking are well understood and appreciated by the next generation of consumers.



The survey results reveal that a substantial majority of respondents, particularly those from the faculties of economics and Islamic business, have a solid understanding of the fundamental principles of Islamic banking. This finding is significant as it underscores the effectiveness of targeted educational programs in these faculties, where students are more likely to engage with the concepts of Islamic finance as part of their curriculum. However, the survey also highlights a crucial gap: a small but notable portion of respondents, particularly those who do not come from these specialized academic backgrounds, still

struggle to grasp the basic concepts of Islamic banking. This discrepancy suggests that while some educational efforts are succeeding, they may be too narrowly focused, leaving students from other disciplines with insufficient exposure to Islamic banking principles.

Addressing this gap requires a more inclusive approach to education on Islamic finance. It is essential to recognize that Islamic banking is not only relevant to those pursuing careers in finance or business; it is a vital aspect of broader financial literacy that should be accessible to all students, regardless of their field of study. To achieve this, educational institutions could integrate Islamic banking concepts into general education courses, ensuring that all students receive a basic understanding of these principles. Additionally, wider socialization efforts, such as public lectures, workshops, and online resources, should be made available to the entire student population. These initiatives could be further supported by collaboration between universities, Islamic financial institutions, and community organizations to create outreach programs that engage students from diverse academic backgrounds.

In addition to the variation in understanding, the survey also revealed differences in the frequency with which Generation Z engages with Islamic banking products and services. This variability suggests that while some members of this generation are regular users of Islamic financial services, others may be less familiar with or less inclined to use them. The potential for expanding the use of Islamic banking among Generation Z is significant, particularly given their growing influence in the economy. By increasing the adoption of these services, Generation Z could significantly enhance their financial literacy and awareness, which in turn would improve their overall financial management and security.

To tap into this potential, it is crucial to identify and address the barriers that may be preventing wider usage of Islamic banking products among Generation Z. These barriers could include a lack of awareness about the benefits of Islamic banking, misconceptions about its complexity, or simply a preference for conventional banking due to convenience or familiarity. Financial institutions should consider conducting targeted marketing campaigns that clearly communicate the advantages of Islamic banking, such as ethical investing and profit-sharing, which may resonate with the values of Generation Z. Furthermore, simplifying the user experience and making Islamic banking services more accessible through digital platforms could also encourage greater adoption. Educational initiatives should not only focus on explaining the principles of Islamic finance but also demonstrate how these products and services can be practically applied in everyday financial decisions, thus making them more relatable and appealing to young consumers.

The survey results also underscore the strong trust that Generation Z places in Islamic financial institutions as essential players in bridging economic disparities. This trust is a valuable asset that Islamic banks and other financial institutions should leverage to expand their reach and impact. However, the survey also revealed a concerning gap in access to these services among Generation Z, particularly in more remote or underserved areas. This gap suggests that while Islamic financial institutions are trusted, their services are not yet fully inclusive, leaving some segments of the population without the means to benefit from them.

To address this, there is an urgent need for strategies aimed at expanding the reach and inclusiveness of Islamic financial services. These strategies could include developing mobile banking solutions that cater to users in rural or less developed regions, offering financial products that are tailored to the specific needs of young consumers, and providing financial education programs that are accessible to all, regardless of location or socioeconomic status. Additionally, Islamic financial institutions should actively engage in community outreach, partnering with local organizations to build trust and awareness in underserved areas. By ensuring that their services are accessible to all members of Generation Z, these institutions can play a pivotal role in reducing economic inequalities and fostering greater financial inclusion.

Moreover, the survey highlights that Generation Z views Islamic banking literacy as a critical component of their economic sustainability. This perception indicates that Islamic banking literacy is not merely an optional skill but a fundamental aspect of financial security for this generation. As such, there is a clear need for more robust and effective efforts to socialize and educate Generation Z about Islamic banking. Current educational strategies may be insufficient in fully conveying the importance and practical benefits of Islamic banking, suggesting that there is significant room for improvement in how these concepts are taught and promoted.

A more effective educational approach could involve integrating Islamic banking literacy into broader financial literacy programs, ensuring that it is presented not as a separate or specialized subject but as a core component of financial education. This approach would help Generation Z see the relevance of Islamic banking principles to their everyday financial decisions, increasing their confidence in applying these concepts in their personal and professional lives. Additionally, interactive and experiential learning methods, such as simulations, case studies, and peer-to-peer learning, could make Islamic banking literacy more engaging and relatable, further reinforcing its importance as a tool for achieving financial stability and success.

Finally, the survey reveals that Generation Z perceives Islamic banking literacy as a vital tool in poverty alleviation. This insight emphasizes the broader social impact of financial literacy, suggesting that it can play a crucial role in reducing poverty within this demographic. Islamic banking literacy, by promoting ethical financial practices and encouraging responsible money management, can empower Generation Z to break the cycle of poverty and build a more secure financial future.

To maximize this impact, it is essential to integrate Islamic banking literacy into broader poverty alleviation strategies targeted at Generation Z. This could involve creating financial education programs that specifically address the challenges faced by low-income individuals and communities, offering financial products that are designed to meet the needs of those at risk of poverty, and providing support services that help young people develop the skills and knowledge they need to achieve financial independence. By doing so, the potential of Islamic financial products and services can be fully harnessed to improve individual economic well-being and contribute to reducing poverty on a larger scale.

Overall, the survey provides a comprehensive understanding of how Generation Z views, understands, and perceives the role of Islamic banking literacy in various economic

and welfare aspects. These insights lay a strong foundation for developing more targeted and effective strategies to enhance Islamic banking literacy among Generation Z. By improving their understanding and access to Islamic financial services, we can empower this generation to make informed financial decisions, reduce economic inequalities, and contribute to the overall economic resilience and sustainability of society.

CONCLUSIONS

In conclusion, the results and discussion underscore the critical role that literacy, particularly Islamic banking literacy, plays in shaping individuals' financial behaviors and overall economic well-being. Literacy, in all its forms, serves as the foundation for understanding, interpreting, and applying information in daily life, enabling individuals to navigate the complexities of the modern world with greater confidence and competence. Specifically, Islamic banking literacy is vital for empowering individuals, especially Generation Z, to make informed financial decisions that align with their ethical values and financial goals. This literacy not only enhances their ability to manage personal finances more effectively but also contributes to broader societal goals such as reducing economic disparities and alleviating poverty.

The survey results indicate a varied understanding and utilization of Islamic banking products and services among Generation Z. Despite these variations, there is a clear recognition of the importance of Islamic banking literacy in enhancing financial awareness and strengthening the economic foundation of this demographic. As Generation Z is poised to become a driving force in the global economy, their financial decisions will have far-reaching implications, both for their own futures and for the broader economic landscape. Therefore, equipping them with the necessary knowledge and skills to fully grasp the principles and benefits of Islamic banking is not just a matter of personal financial management; it is a strategic investment in the economic stability and growth of the nation as a whole.

This conclusion emphasizes the urgent need for targeted efforts to improve Islamic banking literacy among Generation Z. Such efforts should include comprehensive educational initiatives that not only increase awareness of Islamic financial products and services but also foster a deeper understanding of how these tools can be used to achieve financial security and economic resilience. By doing so, we can unlock the full potential of Islamic finance to contribute to a more equitable and just economic system, where individuals are empowered to improve their own lives while also contributing to the well-being of their communities and society at large.

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