

GEN Z'S INTENTION TO SHARIA BANKING: THE ROLE OF FINANCIAL LITERACY, RELIGIOSITY, AND DEMOGRAPHICS

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ABSTRACT

The Islamic banking sector in Malang City shows strong growth potential due to its large youth population. However, Generation Z's adoption remains low, influenced by financial literacy, religiosity, and demographic factors. This study examines how these variables affect Generation Z's interest in Islamic banking, using a survey of 204 respondents and multiple linear regression analysis in SPSS 26. Results reveal that financial literacy, religiosity, and demographics positively influence interest, offering insights for banks to develop youth-focused marketing strategies.

Keywords: Interest, Sharia Financial Literacy, Religiosity, Characteristics, Demographics, Sharia Banks

INTRODUCTION

In the last few years, sharia banking in the Republic of Indonesia has grown extensively, especially in major towns like Malang. This growth not only reflects increasing public interest in sharia-based financial systems but also indicates a shift in consumer preferences, particularly among younger generations, toward services aligned with Islamic principles (Yusuf et al., 2023). Islamic banks offer an alternative that provides ethical, fair financial services free from usury, speculation, and uncertainty. This development indicates that the Islamic financial system is increasingly relevant to modern society, while also serving as a solution for individuals seeking to balance financial interests with religious values.

Despite the positive growth trend, major challenges remain, particularly in attracting Generation Z (Gen Z) to use Islamic banking services. Factors such as Islamic financial literacy, religiosity, and demographic characteristics are believed to influence the financial decisions of this generation (Fadillah et al., 2021; Suparno et al., 2023). Gen Z, who grew up in the digital age, has a unique way of accessing information, making decisions, and determining financial preferences. These characteristics require a more strategic approach from banking institutions to increase their interest. Therefore, the purpose of this study is to investigate how three characteristics of City influence Generation Z's tendency to conduct financial activities at Islamic banks, especially in Malang. So that service development strategies can be more targeted.

Islamic financial literacy is one of the key variables in this study. Understanding the principles, products, and mechanisms of Islamic banking is an important foundation for Gen Z in making appropriate and sharia-compliant financial decisions (Ilfita & Canggih, 2021; Rohmayanti et al., 2021). Unfortunately, Indonesia's Islamic financial literacy rate is still very low. Based on the 2022 National Survey of Financial Literacy and Inclusion (SNLIK), the rate of Islamic financial literacy only reached 9.14% nationally and 10.36% in the Malang region (OJK, 2022). This condition shows the need for more attention to education and outreach regarding Islamic financial products and principles, especially for the younger generation.

Low Islamic financial literacy has a direct impact on the public's understanding, especially among Gen Z, of the benefits and advantages of Islamic banking services. This can be an obstacle to increasing Islamic financial inclusion and encouraging the adoption of products that comply with Islamic principles. Previous research shows that the higher the level of Islamic financial literacy, the more likely individuals are to choose Islamic banking

services (Mufidah et al., 2022; Kaharuddin et al., 2024). Therefore, efforts to improve Islamic financial literacy among Gen Z are an important strategy to encourage their interest and participation in the Islamic banking system more broadly.

In addition to literacy, an individual's degree of religiosity also has a significant implication on their opinions when selecting financial products (Mardiana et al., 2025). Religiosity is a strong driving factor in economic decision-making because individuals with high levels of religiosity tend to prioritize Islamic values in all their financial activities (Rohali et al., 2022). Previous research shows that high levels of religiosity increase the likelihood of someone transacting with Islamic banks, due to the belief that these products are in line with religious principles (Kurniawati et al., 2023). Thus, religiosity not only influences economic decisions in general, but also shapes choices regarding specific financial products. This factor is highly relevant for financial institutions in developing marketing strategies aligned with customers' religious values.

Muslims are nearly all of the population of Indonesia, the influence of religiosity on economic decisions holds significant potential, particularly in attracting the interest of Generation Z (Gen Z) to use Islamic financial products (Yusuf et al., 2023). For religious young people, Islamic banks are not merely seen as financial institutions but also as a means to maintain consistency in religious values in daily life. Awareness of Sharia principles makes them more selective in choosing financial services, actively seeking information about Sharia-compliant products, and avoiding services that contradict religious teachings. This phenomenon underscores the importance of religiosity as a key contributing element for creating the economic activities Indonesia's young generation.

Demographic characteristics, such as age, education level, income, and gender, also play a significant role in determining Gen Z's interest in Islamic banking services. Individuals with a better knowledge of Islamic finance principles are also more likely to have achieved a higher level of learning, making them more selective in choosing products that align with their religious values. Additionally, income levels influence their ability to access various banking products, including savings, investments, and Islamic financing (Elsalonika & Ida, 2025). These demographic factors are important variables that can explain differences in financial behavior among the younger generation.

The city of Malang, known as an educational hub with many universities, has a significant Gen Z population, approximately 125,002 individuals aged 15–24 years (Malang City Central Statistics Agency, 2023). The variation in demographic characteristics of students from diverse regions and socio-economic backgrounds makes Malang a strategic location to study the consequences of demographic components on Islamic financial actions. Given the high number of Muslim students, aspects of religiosity and their economic conditions can contribute strongly to shaping their interest and preferences toward Islamic banking services. This phenomenon provides an opportunity to understand how demographic factors interact with literacy and religiosity in influencing Gen Z's financial decisions.

Malang is not only known as a city of education, but also as a city with promising growth in the Islamic economy. Data from Bank Indonesia (2019) shows that Islamic financing in Malang reached Rp3.92 trillion, an increase of 9.49% compared to the previous year. Additionally, Islamic banking transactions in the Bank Indonesia Malang region increased by approximately 15% annually, with the majority of customers coming from the student and university student population (Maghfiro & Budianto, 2024). This trend indicates growing interest in Islamic financial products, while also reflecting the significant market potential for banking institutions to develop services aligned with Islamic principles.

The presence of Islamic universities, Islamic boarding schools, and active student communities has also made Malang one of the centers of Islamic economic growth in East Java (Syakur, 2011). However, despite this potential, significant challenges remain,

particularly in enhancing Gen Z's understanding, trust, and interest in Islamic banking products. Factors such as Islamic financial literacy, religious devotion, and demographic characteristics are key variables that must be considered to encourage young people's participation in Islamic banking. With the right strategies, Malang has the potential to become a model for effective Islamic economic development at both the regional and national levels.

Based on the above discussion, this research is highly important. Academically, this research can enrich the literature on Islamic financial behavior among young people, particularly Gen Z, who have unique characteristics in accessing information and making financial decisions. Practically, the research results can be used as a model by Islamic banks in formulating more targeted marketing strategies and financial education programs, thereby effectively reaching and attracting the interest of the younger generation.

With a deeper understanding of these factors, Islamic banks can design innovative financial literacy programs, develop relevant digital products, and formulate communication strategies that align with the values and needs of Gen Z. These steps not only support the sustainable growth of the Islamic economy but also enhance the competitiveness of Islamic banks amid the dominance of conventional banks. Moreover, the use of appropriate technology and educational approaches can strengthen Generation Z's trust in Islamic banking services. This encourages them to adopt Islamic values when using these products and services.

LITERATURE REVIEW

Sharia Financial Literacy

The ability to comprehend and handle Sharia-compliant financial products and services in order to make wise financial decisions is known as Sharia financial literacy (Dinc et al., 2021). It includes financial management, investment, planning, and understanding Sharia principles in economic transactions (Amin, 2018). According to Maarif (2023), financial literacy can be classified into four levels: good literacy, adequate literacy, poor literacy, and no literacy, reflecting individuals' knowledge, skills, and confidence in utilizing financial services. This classification helps identify the public's ability to optimally use financial products and serves as a foundation for improving financial literacy.

Specifically, Islamic financial literacy emphasizes the application of financial knowledge in accordance with Islamic principles (Rusydia et al., 2021). It equips individuals to select Sharia-compliant products, plan finances according to Islamic teachings, and avoid usury and speculative practices. By managing financial resources in line with Sharia principles, individuals can enhance both their material and spiritual well-being, while contributing positively to society.

Sharia Literacy Indicators

Sharia financial literacy can be effective if it's applied in everyday life through the use of sharia financial institution products and services. A study by Lusardi & Mitchell (2011) states that indicators of Islamic financial literacy include basic knowledge, skills, attitudes, and beliefs. Basic knowledge includes managing income and expenses, as well as understanding Islamic economic principles, including permitted and prohibited activities. Skills reflect a person's potential to make sound as well as a mindful financial plan, while attitudes relate to understanding the origin of funds, fulfilling obligations, opening accounts, applying for financing, and planning for future needs.

Trust is an important indicator that shows an individual's ability to build self-confidence in planning for long-term needs. Individuals can handle their finances in line with Islamic beliefs when these four factors are combined, improve their financial well-being, and minimize the risk of loss. Thus, Islamic financial literacy is not limited to theoretical

knowledge but also encompasses practical skills, responsible attitudes, and confidence in implementing financial principles in accordance with Islamic principles. The comprehensive application of financial literacy will encourage wiser and more sustainable financial behavior among individuals, especially the younger generation.

Religiosity

Religiosity is the level of belief, trust, and obedience of a person in practicing the religious laws they adhere to. According to Romdhoni & Ratnasari (2018), religiosity reflects an individual's commitment to their religion, while Vance (2006), as cited by Sukri Karim, emphasizes that religiosity encompasses religious behavior, attitudes, beliefs, and individual attitude constructs. With this belief, an individual is motivated to live their life in keeping with their religious principles, thereby shaping a character and behavior consistent with religious teachings. Religiosity is an important factor in determining life choices, including financial decisions, education, and social interactions.

Hariyadi & Mahmudi (2019) identified five indicators of religiosity, namely intellectual (belief in doctrine), ideology (compliance with sharia), public practice (experience of performing rituals in real life), private practice (knowledge of Islamic law and teachings), and religious experience (application of sharia in daily behavior). These five indicators are interrelated because strong beliefs encourage obedience, enrich spiritual experiences, foster inner peace and happiness, and expand knowledge to fulfill religious obligations and avoid religious prohibitions. Thus, religiosity is not only related to ritual worship, but also encompasses understanding, experience, and the application of religious principles in daily life, shaping behavior that is in harmony with religious values.

Demographic characteristics

Demographic characteristics are individual characteristics that include age, gender, education, income, and employment status. These factors are used to understand individual behavior, preferences, and decisions in choosing products and services, including in the field of Islamic banking. (Lusardi & Mitchell, 2013) indicated, demographic characteristics influence financial literacy levels, access to financial products, and preferences in financial decision-making. For example, individuals with higher education tend to better understand Islamic financial principles, while income levels affect their ability to use certain banking products. By understanding demographic characteristics, financial institutions can design more targeted service and education strategies for various segments of society. This is particularly important in attracting the interest of younger generations, such as Gen Z, to use Islamic banking services.

Individual demographic characteristics influence financial behavior and preferences, including the use of Islamic banking products. Key indicators include age, where Gen Z tends to be more interested in fast and modern digital services, and gender, as men are generally more willing to take risks than women. Education is a crucial factor as it influences understanding of financial services and financial literacy levels. Income determines an individual's ability to access products such as savings, investments, or Islamic financing, while employment impacts financial stability and financial product choices. All these factors are interrelated and shape individual financial decision-making patterns, making them important considerations for banking institutions in designing service and education strategies.

Interest in Saving at Sharia Banks

Interest is a person's attraction or liking for something or an activity without any encouragement from others (Ameyaw & Mante, 2025). Guo & Fryer (2025) state that interest is a motive that drives individuals to actively interact with objects they find interesting. Interest is not an innate trait but rather a learned behavior that can be developed over time, thereby potentially influencing an individual's behavior. In the context of consumer behavior, purchasing interest reflects consumers' psychological

tendencies or intentions toward a product, including considerations of quantity, brand, and product quality.

Generation Z, born between the mid-1990s and early 2010s, shows a high tendency toward ethical values and sustainability in purchasing decisions. In the context of Islamic banking, factors such as Islamic financial literacy, religiosity, and social and media influence have a significant impact on determining their interests. Zahra's (2024) research shows that a good understanding of Islamic products and services, supported by strong religious values, can boost the curiosity of Generation Z in conducting transactions at sharia banks. This confirms that interest is not merely a temporary preference but the result of the interaction between knowledge, values, and individual experiences.

According to Kotler & Keller (2016), consumer purchasing interest can be analyzed using the AIDA model, which consists of four key stages. First, Attention, the initial stage where potential consumers begin to recognize and learn about products or services that align with their needs. Second, Interest, which occurs when potential consumers start feeling intrigued after receiving relevant information about the product or service. The third step is Desire, when strong interest emerges and potential consumers begin to consider or discuss the product or service they are interested in. Finally, Action is the stage where consumers make the decision to purchase or use the product or service being offered. The AIDA model shows that consumer interest is not just a spontaneous response, but a gradual process influenced by information, motivation, and personal evaluation of the product.

Conceptual Framework

A visual representation that illustrates the relationship between variables and the direction of research to be conducted is called a conceptual framework. The diagram also explains the researcher's line of thought, showing how one concept is connected to another. The purpose of a conceptual framework is to provide an overview of the variables that will be examined in the study.

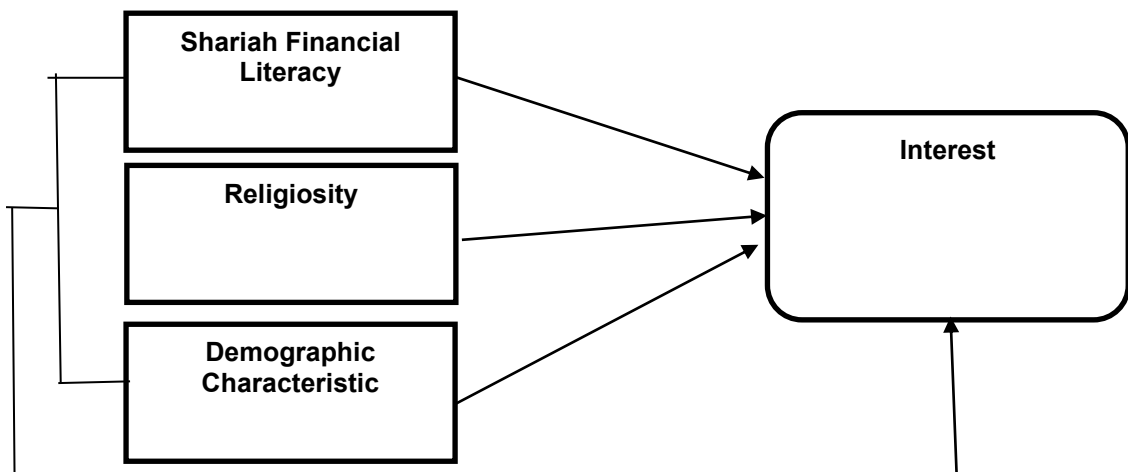


Figure 2 Conceptual Framework

Source: Compiled by researcher (2025)

HYPOTHESIS

The Influence of Sharia Financial Literacy on Gen Z's Interest in Conducting Transactions at Sharia Banks in Malang

Sharia financial literacy is an essential competency that reflects an individual's understanding of Islamic financial principles and their ability to manage personal finances in accordance with Sharia teachings. This literacy goes beyond the basic prohibitions of *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling), encompassing the skills to effectively utilize Sharia-compliant financial instruments and services. With sufficient literacy, individuals are able to plan, manage, and allocate financial resources effectively, ensuring that economic decisions align not only with rational considerations but also with religious values.

Several studies have shown that Sharia financial literacy significantly influences people's interest in using Islamic banks. Albaity & Rahman (2019) found that Islamic financial knowledge, when combined with religiosity, enhances the desire to use products. Similarly, Muslichah & Sanusi (2019) emphasized that financial literacy plays a stronger role than other factors in shaping the interest to engage with Islamic financial services.

Research by Taufiqurrahman & Putri (2025) also confirmed that Sharia financial literacy positively affects Gen Z's tendency to save in Sharia banks, highlighting this segment as a potential market. Comparable findings were reported by Ilyana et al. (2022), who stressed that literacy in Sharia finance encourages people's interest in using Islamic banking services. The consistency of these findings underscores the importance of enhancing literacy as a strategy to expand public participation in the Islamic banking industry. Considering earlier research, this research formulates the following hypothesis: H1: Sharia financial literacy has a significant influence on Gen Z's interest in conducting transactions at Sharia banks in Malang.

The Influence of Religiosity on Gen Z's Interest in Conducting Transactions at Sharia Banks in Malang

One definition of religiosity is the degree to which a person participates in experiencing, understanding, and practicing religious teachings in their daily lives. This aspect includes beliefs, worship practices, spiritual experiences, knowledge, and the application of religious values in various activities, including economic decision-making. In countries with a Muslim majority population like Indonesia, religiosity often serves as a key factor influencing societal preferences and behavior, particularly in selecting financial products and services. This is due to the awareness that financial activities are not only economically valuable but also possess moral and spiritual dimensions, necessitating that financial decisions align with Sharia principles. Thus, A great degree of faith will encourage individuals to prefer Islamic banking products over conventional products that may contain elements of usury or practices inconsistent with Islamic teachings.

Previous studies have shown that religiosity plays an important role in driving Generation Z's interest and financial behavior toward Islamic banking. Khotimah & Saputeri (2024) found that knowledge and religiosity simultaneously influence Gen Z's interest in saving at Islamic banks with a very significant contribution of 80.4%. In line with this, Khomsatun et al. (2024) revealed that religiosity, particularly in the form of religious intention, is one of the crucial variables influencing Gen Z's adoption of mobile banking services at Bank Syariah Indonesia (BSI). Furthermore, Abshor et al. (2024) emphasize that Gen Z's significant a factor influencing demand for Islamic banks is religiosity, in addition to their perceptions and Islamic financial literacy.

Based on a review of previous studies indicating that religiosity has a significant impact on how people behave financially, particularly in the context of using Islamic banking products and services, this study formulates the second hypothesis. A high level of

religiosity encourages individuals, especially Generation Z, to align their economic activities with Islamic teachings, making them more likely to choose Islamic banking over conventional banks. Thus, the second hypothesis in this study is formulated as follows:

H2: Religiosity has a significant influence on Generation Z's interest in conducting transactions at Islamic banks in Malang City.

The Effect of Demographic Features on Gen Z's Interest in Performing Transactions at Malang's Sharia Banks

Age, gender, income, and educational attainment are some demographic factors that may affect a person's interest in sharia banking. Generation Z, who are more highly educated, tend to better understand the benefits of sharia banking products and are more inclined to choose these services. Income level also affects the capacity of an individual to access and apply Islamic economic products. Meanwhile, age and gender can influence preferences and consumption patterns, including orientation toward religious values. The public's interest in Islamic banking services and products varies as a result of these demographic variances. Therefore, understanding demographic characteristics is crucial for designing targeted service strategies. This is particularly relevant for Gen Z, who are a potential segment in the development of the Islamic banking industry in Indonesia.

Prior research highlights that demographic aspects significantly shape Generation Z's interest in Islamic banking. Zahra (2024) discovered that factors like age and educational background have an impact on Gen Z's intention to save in Islamic banks. Similarly, Wuryaningsih & Safitri (2024) revealed that being enrolled in Islamic higher education institutions also contributes to Gen Z's inclination toward Islamic banking services. Furthermore, Amir et al. (2024) emphasized that age and education level influence young consumers' preferences in adopting digital Islamic banking platforms. These consistent findings underline the importance of examining demographic factors to better understand the variations in Gen Z's interest and behavior toward both traditional and digital Islamic banking services.

Drawing on these studies, this research formulates the third hypothesis. Demographic factors such as age, education level, student status, and income are assumed to play a role in shaping the preferences and interest of Generation Z in Malang City when choosing Islamic banking services. Thus, the following is the formulation of the third hypothesis in this investigation:

H3: Demographic characteristics significantly influence Generation Z's interest in conducting transactions at Islamic banks in Malang City.

The Combined Effect of Sharia Financial Literacy, Religiosity, and Demographic Factors on Generation Z's Interest in Engaging with Sharia Banking Services in Malang

Individuals with high sharia financial literacy tend to better understand the benefits and mechanisms of using sharia banks, thereby having a greater interest in utilizing such services (Wuryaningsih & Safitri, 2024). In addition to literacy, religiosity also plays an important role, as individuals with high levels of religiosity prefer Islamic banks due to the alignment of their services with Islamic values they believe in (Taufiqurrahman & Putri, 2025). Demographic characteristics such as age, education level, and income also influence understanding and access to Islamic banking products. Higher-educated generations tend to better understand Islamic banking services, while income levels determine how much individuals can access and utilize Islamic financial products optimally (Zahra, 2024). Thus, Islamic financial literacy, religiosity, and demographic characteristics collectively become significant factors in shaping individuals' interest, particularly Gen Z, in conducting transactions at Islamic banks.

These three elements Gen Z's trust and preferences for Islamic banks are influenced by a combination of demographic traits, religious beliefs, and Islamic financial literacy. If this relationship is proven to be significant, Islamic banks can enhance Islamic financial inclusion by integrating financial education, strengthening religious values, and implementing demographic-based strategies to attract more young customers. Based on a review of previous studies, this research formulates the following combined hypothesis: H4: There is a significant simultaneous influence between Islamic financial literacy, religiosity, and demographic characteristics on Gen Z's interest in conducting transactions at Islamic banks in Malang City.

METHODS

This study collects data that may be evaluated and statistically analyzed using a quantitative approach and descriptive analysis techniques (Sugiyono, 2015). The study site is located in East Java's Malang City, which is separated into five subdistricts: Kedungkandang, Sukun, Klojen, Blimbing, and Lowokwaru. This city was chosen because of the significant growth of the Islamic banking sector, although there are still obstacles related to understanding Islamic concepts and perceptions of the competitiveness of Islamic banks. The research subjects were Generation Z (born 1997–2012) who live in Malang and are interested in using Islamic banking services. The research population consisted of 125,002 people, and the sample used was 204 people, allocated evenly in each subdistrict with 41 respondents, using the Slovin formula with a margin of error of 7%.

The sampling technique used purposive sampling based on the criteria of being Muslim, aged 18–24 years, residing in Malang City, and interested in using Islamic banks (Sugiyono, 2019). Data was collected through a digital questionnaire as primary data, as well as secondary data from public reports, archives, and supporting documentation (Supriyanto & Ekowati, 2013). Variable measurement used a Likert scale to assess respondents' attitudes, opinions, and perceptions, with four response levels between "strongly disagree" and "strongly agree". This scale allows for objective and measurable measurement, and the variable indicators serve as the basis for developing research instruments to ensure accurate analysis and validity testing of the results.

RESULTS

Validity Test

To test for validity, each statement item's computed r value was compared to the table's r value of 0.137 at a 5% significance level. All of the items from X1.1 to X1.8 had calculated r values higher than the table r value, indicating their validity for the Islamic financial literacy variable (X1), according to the test results. All entries in the religiosity variable (X2) from X2.1 to X2.6 were deemed acceptable as their estimated r values were higher than the table r value. Similarly, for the demographic characteristics variable (X3), all items from X3.1 to X3.8 were deemed legitimate because their estimated r values exceeded the table r .

Likewise, as the computed r value is greater than the table r value, all items from Y3.3 to Y3.6 are likewise deemed legitimate for the interest variable (Y). Therefore, all of the instruments employed in this study have satisfied the validity requirements and can be used for additional investigation.

Reliability Test

The reliability test evaluates the consistency of a questionnaire in measuring the influence of variables X1, X2, and X3 on variable Y. Cronbach's alpha is used as the criterion, with a cutoff value of 0.7. Items with an alpha below 0.7 are considered unreliable, while those with an alpha above 0.7 are deemed reliable.

Table 1. Summary of Reability Test

Variable	Items	Cronbach's Alpha	Information
Sharia Financial Literacy (X1)	8	0,826	RELIABLE
Religiosity (X2)	6	0,781	RELIABLE
Demographic Characteristics (X3)	8	0,842	RELIABLE
Interest (Y)	6	0,862	RELIABLE

Source: Processed Data (2025)

According to Table 1, here are variables with Cronbach's alpha values larger than 0.7. This indicates that all items in each variable have good internal consistency. In other words, the questions or statements in the questionnaire are reliable and can accurately measure the intended variables. These results ensure that the research instrument can be used to obtain valid and reliable data. Therefore, further analysis of the respondent data can be conducted based on a reliable instrument.

The normality test

evaluates whether the variables in a regression model are normally distributed. Data with a p-value above 0.05 are considered normal, while those below 0.05 are considered non-normal.

Table 2. Normality Test

	Undstandarsized Residual
N	204
Test Statistic	0,060
Asymp. Sig. (2-tailed)	0,072

Source: Processed Data (2025)

Table 2 shows that the normalcy test has a significance value of 0.072, which is higher than the 0.05 critical limit. This indicates that the research data meets the normality assumption. In other words, the respondents' data distribution does not significantly deviate from the normal distribution. This allows for the use of parametric statistical analysis for further data processing. Therefore, the research findings can be analyzed properly and the results can be interpreted with high reliability.

Multicollinearity Test

This test checks for high correlations among independent variables in a regression model. Multicollinearity exists if $VIF > 10$ and tolerance < 0.01 ; it is absent if $VIF < 10$ and tolerance > 0.01 .

Table 3. Multicollinearity Test

Model	Colinearity Statistic	
	Tolerance	VIF
Sharia Financial Literacy	0,577	1,732
Religiosity	0,617	1,621
Demographic Characteristics	0,604	1,657

Source: Processed Data (2025)

According to Table 3, the VIF values for the variables Financial Literacy (X1), Religiosity (X2), and Demographic Characteristics (X3) are 1.732, 1.621, and 1.657, respectively, all of which are smaller than the critical limit of 10. Meanwhile, the tolerance values for the three variables are 0.577, 0.617, and 0.604, respectively, which are greater than the minimum threshold of 0.1. Based on these criteria, it can be concluded that the research model does not experience multicollinearity. In other words, multicollinearity, which

occurs when VIF values are greater than 10 or tolerance values are less than 0.1, was not found in the research data. This indicates that the independent variables in the study are relatively free from high correlations, thus meeting the requirements for regression analysis and ensuring the validity of the results.

Multiple Linear Regression Analysis

Regression analysis is a statistical method used to examine the effect of one variable on another. Multiple linear regression specifically evaluates the influence of two or more independent variables on a single dependent variable. An appropriate regression model is developed using a mathematical formula that predicts relationships among variables. This formula allows researchers to interpret the contribution of each independent variable to the dependent variable and serves as the foundation for drawing conclusions from the study.

Table 4. Multiple Linear Regression Test

Model	Unstandardized Coefficients		Sig
	B	Std. Error	
1 (constant)	-1,280	1,553	0,411
Sharia Financial Literacy	0,128	0,064	0,048
Religiosity	0,122	0,084	0,149
Demographic Characteristics	0,526	0,061	0,000

Source: Processed Data (2025)

Results of Multiple Linear Regression Analysis

The multiple linear regression results show the effects of several independent variables on Generation Z's interest in using Islamic banking services. The intercept of -1.280 is not significant ($p = 0.411$), indicating that interest cannot be meaningfully predicted when all independent variables are zero. Islamic financial literacy has a positive coefficient of 0.128 with $p = 0.048$, suggesting that a one-unit increase in literacy significantly raises Gen Z's interest in Islamic banking by 0.128 units.

Religiosity shows a positive coefficient of 0.122 but is not statistically significant ($p = 0.149$), indicating a negligible effect in this model. Demographic characteristics have the strongest impact, with a coefficient of 0.526 and $p < 0.001$, showing that Gen Z's interest in Islamic banking is significantly influenced by variables including age, education, and economic standing, surpassing the effects of the other variables.

Coefficient of Determination Test (R^2)

The R^2 measures how well a regression model explains the variation in the dependent variable. An adjusted R^2 closer to 1 indicates strong explanatory power, while a value near 0 shows weak explanatory ability. The results for this study are presented below:

Table 5. Test of the Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,700	,490	,482	2,52398

Source: Processed Data (2025)

The table shows the results of the multiple linear regression analysis. An R value of 0.700 indicates a strong correlation between the variables. The R^2 of 0.490 means 49% of the dependent variable's variation is explained by the independent variables, while 51% is due to other factors. The adjusted R^2 of 0.482 provides a more accurate measure of the model's strength, and the standard error of 2.52398 reflects the average difference between predicted and actual values.

Hypothesis Test

Partial Test (t-Test)

To ascertain if each independent variable has an impact on the dependent variable in partial regression analysis, the t-test is employed. In this partial test, the researcher examined financial literacy's impact on the willingness to conduct transactions at a sharia bank, religiousness on the willingness to conduct transactions at a sharia bank, and demographic characteristics on the willingness to conduct transactions at a sharia bank.

Table 6. Partial Test (t-Test)

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
Sharia Financial Literacy	0,489	0,059	0,505		8,313	0,000
Religiosity	0,610	0,082	0,465		7,464	0,000
Demographic Characteristics	0,645	0,049	0,682		13,266	0,000

Source: Processed Data, 2025

t-Test (Partial Test)

To partially examine each independent variable's impact on the dependent variable, the t-test is employed. Based on Table 4.14, the t-test results can be summarized as follows:

Islamic Financial Literacy (X1)

The t-test results show a calculated t-value of 8.313, which is greater than the table t-value of 1.972, with a significance level of 0.000. Since the significance value < 0.05, H1 is accepted, indicating that Islamic financial literacy (X1) has a significant effect on the interest in conducting transactions at Islamic banks (Y).

Religiosity (X2)

Based on the t-test, the calculated t-value for the religiosity variable is 7.464, which is greater than the table t-value of 1.972, with a significance level of 0.000. Since the significance < 0.05, H2 is accepted. This indicates that, partially, religiosity (X2) has a significant effect on the interest in conducting transactions at Islamic banks (Y).

Demographic Characteristics (X3)

The t-test results for the demographic characteristics variable show a calculated t-value of 13.266, which is greater than the table t-value of 1.972, with a significance level of 0.000. Since the significance value < 0.05, H3 is accepted, meaning that demographic characteristics (X3) have a significant partial effect on the interest in conducting transactions at Islamic banks (Y).

Simultaneous Test (F-Test)

The F-test examines whether all independent variables together significantly affect the dependent variable. The validity of the model is indicated by a significance value less than 0.05., while a value above 0.05 means it is not. The study's findings are displayed in the table below.

Table 7. Simultaneous Test (f Test)

Model	Sum of Square	df	Mean Square	F	Sig
Regression	1222,742	3	407,581	63,980	0,000
Residual	1274,096	200	6,370		
Total	2496,838	203			

Source: Processed Data, 2025

Based on Table 9, the F-test shows a calculated F-value of 63.980, which exceeds the critical F-value of 2.65, with a significance level of 0.000. Since the significance is less than 0.05 ($\alpha = 0.05$), the simultaneous hypothesis is accepted. This suggests that

Generation Z's interest in doing business at Islamic banks is significantly influenced by the regression coefficients of Islamic Financial Literacy, Religiosity, and Demographic Features taken together. These results suggest that all three independent variables play a substantial role in influencing Gen Z's financial decisions and preferences regarding Islamic banking services.

The Influence of Islamic Financial Literacy on Gen Z's Preference for Performing Transactions at Malang City's Islamic Banks

The study's findings show that, with a significance value of 0.000 ($p < 0.05$), Islamic financial literacy has a favorable and significant impact on Generation Z's interest in adopting Islamic banking services in Malang. The positive regression coefficient suggests that higher literacy levels increase interest in engaging with Islamic banks. This literacy includes understanding key concepts such as *riba* (usury), *gharar* (uncertainty), and *maisir* (gambling), as well as knowledge of products like *mudharabah* savings and *murabahah* financing. A strong understanding of these principles enhances confidence and trust in Islamic banking. These findings align with the Theory of Planned Behavior (Ajzen, 1991), which asserts that literacy strengthens positive attitudes, social norms, and perceived behavioral control in financial decision-making.

More broadly, Islamic financial literacy serves as a bridge between intellectual knowledge and spiritual conviction, helping individuals avoid transactions that conflict with Sharia principles while fostering greater awareness of transparency and ethical standards in banking. From an Islamic perspective, the importance of *muamalah* (financial dealings) is emphasized in both the Hadith and Qur'an, particularly in Surah Al-Baqarah: 282, which stresses accountability and the recording of transactions. Enhancing Islamic financial literacy has a direct impact on increasing Generation Z's interest in utilizing Islamic banking products. Therefore, value-based education grounded in Islamic principles delivered through formal curricula, digital media, and literacy programs offered by financial institutions is essential to supporting the sustainable and faith-driven growth of Islamic banking.

The Influence of Religiosity on Gen Z's Interest in Conducting Transactions at Islamic Banks in Malang City

The study reveals that religiosity has a positive and significant effect on Generation Z's interest in using Islamic banking services in Malang, with a significance value of 0.000 ($p < 0.05$). The positive regression coefficient indicates that higher levels of religiosity are associated with stronger interest in Islamic banking products and services. Individuals with a deep understanding and commitment to Islamic values are more likely to choose financial institutions aligned with Sharia principles, reflecting the consistency between spiritual beliefs and economic behavior.

From the perspective of consumer behavior theory, religiosity represents a personal value that shapes decisions both consciously and subconsciously, as explained by the Value-Belief-Norm (VBN) Theory. Higher religiosity fosters attachment to the Islamic financial system, supported by theological foundations such as Qur'an Surah Al-Baqarah: 275, which prohibits *riba* (usury) while permitting trade. These findings also highlight a distinctive characteristic of Generation Z: maintaining spiritual values within lifestyle and consumption choices. Islamic banking institutions can leverage this by promoting education, value-based approaches, and strengthening their image as both professional and faith-driven, thereby enhancing consumer interest and loyalty.

The influence Demographic Features on Gen Z's Preference for Performing Transactions at Malang City's Islamic Banks

Based on regression analysis, with a significant value of 0.045 ($p < 0.05$), demographic factors such as age, gender, income, and educational attainment had a substantial impact on Generation Z's interest in adopting Islamic banking services in Malang.

Although the regression coefficient is lower compared to Islamic financial literacy and religiosity, the influence of demographics remains relevant. Demographic traits shape individuals' ways of thinking, preferences, and capacity to process financial information. Being in the productive age range (15–24 years) drives exploration of financial services, higher education facilitates comprehension of financial concepts, and income affects both purchasing power and perceptions of value in banking services.

From a consumer behavior perspective, demographic factors represent personal variables that influence preferences and consumption patterns (Kotler & Keller, 2016). From an Islamic standpoint, Qur'an Surah Al-Hujurat: 13 emphasizes that one's true merit lies in piety rather than demographic attributes. Therefore, Islamic banks should adapt their service strategies and educational approaches to demographic characteristics for example, digital engagement for younger users, analytical approaches for higher education levels, and emphasis on practical benefits for lower-income groups. Such understanding enables Islamic banking institutions to promote financial inclusion that is equitable, contextual, and grounded in Islamic values.

CONCLUSION

The Combined Influence of Islamic Financial Literacy, Religiosity, and Demographic Features of Malang City's Gen Z Preference in Islamic Banking

Based on the analysis, Generation Z's interest in adopting Islamic banking services in Malang was significantly influenced by three independent variables: demographics, religiosity, and Islamic financial literacy. Islamic financial literacy fosters positive attitudes through an understanding of fundamental principles such as the prohibition of *riba* (usury), contractual concepts (*akad*), and Sharia compliant products like *mudharabah* savings and *murabahah* financing. Religiosity, meanwhile, strengthens moral and spiritual motivation, encouraging individuals to choose financial systems aligned with Islamic teachings.

Demographic characteristics including age, gender, education, and income also exert influence, though to a lesser degree compared to the other two variables. These factors shape variations in interest through perceptions of benefits, access to information, and financial consumption habits. Collectively, the three variables exert a significant simultaneous effect on consumer interest, supporting an integrative perspective in consumer behavior theory, where individual decisions are influenced by knowledge, values, as well as situational and demographic factors.

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