

ISLAMIC FINANCIAL LITERACY, DIGITAL PAYMENT, AND GENERATION Z'S INTENTION TO USE SHARIA FINTECH

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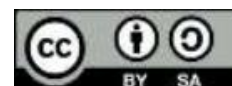
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ABSTRACT

This study aims to examine the influence of Islamic financial literacy and digital payment on Generation Z's intention to use Sharia fintech. A quantitative approach was employed using a survey method, with data collected from 120 Generation Z respondents domiciled in Aceh Province, Indonesia. The data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The results show that Islamic financial literacy and digital payment both have a positive and significant effect on the intention to use Sharia fintech. This indicates that better understanding of Islamic financial principles and familiarity with digital transactions increase users' readiness to adopt Sharia-based financial technology. The findings highlight the importance of integrating financial literacy and digital experience in promoting Sharia fintech adoption, particularly within the Aceh context. This study provides useful insights for policymakers and fintech providers in developing strategies to enhance the use of Islamic digital financial services.

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INTRODUCTION

The rapid advancement of digital technology has significantly transformed the financial sector, particularly through the emergence of financial technology (fintech). Fintech has enabled more efficient, accessible, and inclusive financial services, allowing users to perform transactions seamlessly in digital environments. In the context of Islamic economics, the development of Sharia-compliant fintech (Sharia fintech) provides an alternative financial system that adheres to Islamic principles, including the prohibition of *riba*, *gharar*, and *maysir*. The integration of these principles into digital financial services has opened new opportunities to strengthen financial inclusion and ethical financial practices (Raza et al., 2021).

The expansion of digital payment systems has accelerated the transition toward a cashless society. Technologies such as e-wallets, mobile banking, and QR-based payments are

increasingly adopted, especially among Generation Z, who are known for their high digital literacy and adaptability. Empirical studies indicate that convenience, perceived security, and ease of use significantly influence the adoption of digital payment systems among young users, making Generation Z a key segment in the digital financial ecosystem (Al-Qudah et al., 2024; Sholihah & Ariyani, 2023).

Despite the rapid growth of digital financial services, the adoption of Sharia fintech remains relatively lower compared to conventional fintech. This gap suggests that there are underlying factors influencing users' intention to adopt Sharia-based financial services. Research shows that behavioral intention to use Islamic fintech is shaped by perceived usefulness, social influence, and trust, indicating the importance of both technological and psychological factors in user decision-making (Hidayat et al., 2022).

One of the most important determinants of Sharia fintech adoption is Islamic financial literacy. Islamic financial literacy refers to the understanding of financial concepts in accordance with Sharia principles, including knowledge of halal financial products, contracts (*akad*), and ethical financial behavior. In the digital era, such literacy becomes crucial as individuals are required to evaluate the compliance of financial technologies with Islamic values. Studies have shown that higher levels of Islamic financial literacy positively influence individuals' intention to use Sharia-based digital financial services (Maulana & Fitriani, 2021).

In addition to literacy, digital payment experience plays a significant role in shaping user behavior toward fintech adoption. The frequent use of digital payment systems enhances familiarity and reduces perceived complexity, thereby encouraging users to adopt more advanced financial technologies. Research on Islamic digital financial services indicates that perceived ease of use and perceived usefulness significantly affect users' behavioral intention, particularly among younger generations (Aji et al., 2021; Mustika et al., 2025).

Generation Z represents a demographic group with strong exposure to digital environments and dynamic financial behavior. Their financial decisions are often influenced by technological trends, convenience, and social interaction. However, their adoption of financial technology is not solely driven by technological factors but also by trust and value alignment. A recent study highlights that trust in Sharia compliance plays a crucial role in encouraging Generation Z to adopt Islamic fintech services (Fauzi & Riyadi, 2023; Lubis, 2026).

Furthermore, trust is a critical element in the adoption of digital financial services. In the context of Sharia fintech, trust is closely linked to compliance with Islamic principles and the perceived credibility of the service provider. When users believe that a fintech platform operates in accordance with Sharia values, their intention to use such services increases significantly (Fauzi & Riyadi, 2023).

Another important factor is the role of perceived benefits in influencing user behavior. Generation Z tends to adopt financial technologies that offer clear advantages, such as efficiency, speed, and convenience. Therefore, Sharia fintech providers must ensure that their services are not only compliant with Islamic principles but also capable of meeting users' practical needs in daily financial activities (Al-Qudah et al., 2024).

Moreover, the development of Sharia fintech contributes to broader economic goals, including financial inclusion and sustainable economic growth. By providing accessible and ethical financial services, Sharia fintech can support underserved communities and promote equitable wealth distribution. This aligns with the objectives of Islamic economics, which emphasize justice, transparency, and social welfare (Maharani, 2024).

In addition, the increasing integration of emerging technologies such as artificial intelligence and big data analytics into financial services has further expanded the potential of Sharia fintech. These technologies enable more personalized, efficient, and transparent financial solutions, which can enhance user experience and strengthen trust in digital financial systems (Meero, 2025).

Based on these considerations, this study aims to analyze the influence of Islamic financial literacy and digital payment on Generation Z's intention to use Sharia fintech. This research is expected to contribute to the development of Islamic financial literature in the digital era and provide practical insights for policymakers and fintech providers in enhancing the adoption of Sharia-compliant financial services.

RESEARCH METHODOLOGY

This section explains the methodological framework used to examine the relationships between Islamic financial literacy, digital payment, and Generation Z's intention to use Sharia fintech. A rigorous and systematic approach is essential to ensure that the findings are valid, reliable, and contribute meaningfully to the development of research in Islamic digital finance. The selection of methods in this study is aligned with prior empirical works that emphasize the importance of quantitative modeling in analyzing technology adoption behavior in financial contexts (Raza et al., 2021).

Research Design

This study employs a quantitative research design using a survey approach to analyze the influence of Islamic financial literacy and digital payment on the intention to use Sharia fintech. The quantitative approach enables the measurement of relationships among variables and supports hypothesis testing using statistical techniques. The study is explanatory in nature, aiming to identify causal relationships between independent and dependent variables within the framework of digital financial behavior.

Population and Sample

The population consists of individuals categorized as Generation Z, namely those born between 1997 and 2012, who are actively engaged with digital technology and are domiciled in Aceh Province, Indonesia. This regional scope is considered relevant because Aceh has a strong Islamic socio-cultural context and a growing digital financial ecosystem, making it suitable for examining intention to use Sharia fintech. The sampling technique used is purposive sampling, where respondents must meet specific criteria, including belonging to Generation Z, being domiciled in Aceh Province, having experience using digital payment services such as e-wallets or mobile banking, and possessing basic awareness of Sharia fintech. The sample size is

determined to be a minimum of 100 respondents, which is considered adequate for multivariate analysis and SEM-PLS modeling (Sarstedt et al., 2022).

Data Collection Technique

Data are collected through a structured questionnaire distributed online via platforms such as Google Forms to eligible Generation Z respondents in Aceh Province, Indonesia. The questionnaire is designed using closed-ended questions to ensure consistency and ease of analysis. Responses are measured using a five-point Likert scale ranging from strongly disagree to strongly agree. The use of online surveys is particularly suitable for Generation Z respondents, who are more accustomed to digital communication and interaction. This approach has been widely applied in fintech adoption studies due to its efficiency and scalability (Alalwan et al., 2022).

Research Variables

The study includes two independent variables and one dependent variable. Islamic financial literacy refers to an individual's level of understanding of financial concepts based on Islamic principles, including knowledge of halal financial products, contracts (akad), and ethical financial practices. Digital payment represents the use and perception of digital transaction systems, including aspects such as convenience, efficiency, usefulness, and security. The dependent variable, intention to use Sharia fintech, reflects the willingness of individuals to adopt, use, and recommend Sharia-compliant fintech services in their financial activities.

Data Analysis Technique

The data analysis is conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS software. This method is selected due to its flexibility in handling complex models and its suitability for predictive analysis, especially when data distribution does not meet strict normality assumptions. The analysis begins with the evaluation of the measurement model to assess validity and reliability, followed by evaluation of the structural model to test the relationships between variables. Convergent validity is assessed through factor loadings and Average Variance Extracted, while reliability is evaluated using composite reliability and Cronbach's alpha. The structural model is assessed through the coefficient of determination and path coefficients, with hypothesis testing conducted using bootstrapping procedures (Hair et al., 2022).

Hypothesis Development

The hypotheses are formulated to examine the influence of Islamic financial literacy and digital payment on the intention to use Sharia fintech. It is proposed that both variables have a positive and significant effect, either partially or simultaneously, on behavioral intention. This assumption is supported by empirical findings that highlight the role of knowledge and digital experience in shaping financial technology adoption behavior (Aji et al., 2021).

Instrument Testing

Prior to the main data collection, the research instrument is tested to ensure its validity and reliability. A pilot study is conducted involving a limited number of respondents to evaluate the clarity and consistency of the questionnaire items. The results are analyzed using statistical measures to confirm that each construct is properly represented. This step is essential to minimize measurement error and improve the accuracy of the data collected, which ultimately strengthens the credibility of the research findings (Henseler et al., 2021).

Ethical Considerations

Ethical considerations are carefully addressed throughout the research process. Respondents are informed about the purpose of the study, and their participation is entirely voluntary. Confidentiality and anonymity are maintained to ensure that respondents feel secure in providing honest responses. These practices are essential in maintaining research integrity and are consistent with ethical standards in social science research (Saunders et al., 2021).

Research Limitations

This study acknowledges potential limitations related to sampling, data collection methods, and geographic scope. The use of purposive sampling may limit the generalizability of the findings, as the sample may not fully represent the entire Generation Z population in Indonesia. In addition, the respondents were limited to Generation Z individuals domiciled in Aceh Province; therefore, the findings should be interpreted within this regional context and may differ from regions with different levels of Islamic financial literacy, fintech infrastructure, and digital payment accessibility. The reliance on self-reported data may also introduce bias due to subjective perceptions. However, these limitations are mitigated through careful questionnaire design and strict respondent selection criteria, ensuring that the findings remain relevant and reliable within the scope of the study.

RESULTS AND DISCUSSION

Respondent Profile

This study involved 120 respondents categorized as Generation Z and domiciled in Aceh Province, Indonesia. The majority of respondents were aged between 18–23 years, indicating a high level of familiarity with digital technology. Female respondents accounted for 58%, while male respondents accounted for 42%. In terms of digital behavior, more than 85% of respondents reported actively using digital payment services such as e-wallets and mobile banking applications. This indicates that the selected sample is highly relevant for analyzing fintech adoption behavior, particularly in the context of Sharia fintech.

Descriptive Statistics

To provide an overview of respondents' perceptions toward the variables studied, descriptive statistical analysis was conducted. The results are presented in Table 1.

Table 1. Descriptive Statistics of Research Variablese

Variable	Mean	Standard Deviation	Min	Max
Islamic Financial Literacy	3.87	0.62	2.40	4.80
Digital Payment	4.02	0.58	2.60	4.90
Intention to Use Sharia Fintech	3.95	0.65	2.30	4.85

As shown in Table 1, digital payment has the highest mean value (4.02), indicating that respondents are highly familiar with and frequently use digital transaction systems. This reflects the strong integration of digital payment in daily financial activities among Generation Z. Meanwhile, Islamic financial literacy has a slightly lower mean (3.87), suggesting that although respondents are accustomed to digital financial tools, their understanding of Sharia-based financial principles is still at a moderate level.

The intention to use Sharia fintech shows a relatively high mean value (3.95), indicating a positive tendency among respondents to adopt Sharia-compliant financial services. The relatively low standard deviation values across all variables indicate that respondents' answers are consistent and do not vary significantly. This suggests that the sample has homogeneous characteristics in terms of digital behavior and financial perceptions, which strengthens the reliability of the findings.

Measurement Model Evaluation (Outer Model)

The measurement model evaluation was conducted to assess the validity and reliability of the constructs. All indicators showed loading factor values above 0.70, indicating strong convergent validity. In addition, the Average Variance Extracted (AVE) values for all variables exceeded the recommended threshold of 0.50, confirming that each construct adequately explains the variance of its indicators. Reliability testing results indicate that all variables have Composite Reliability values above 0.70 and Cronbach's Alpha values exceeding 0.70. These results demonstrate that the measurement instrument used in this study is both reliable and internally consistent. Furthermore, discriminant validity testing using the Fornell-Larcker criterion confirms that each construct is distinct from the others, ensuring that there is no overlap between variables.

Structural Model Evaluation (Inner Model)

The structural model was evaluated to examine the strength of the relationships between variables. The results indicate that the R^2 value for the intention to use Sharia fintech is 0.64, which means that 64% of the variance in the dependent variable can be explained by Islamic financial literacy and digital payment. In addition, the predictive relevance (Q^2) value of 0.42 indicates that the model has good predictive capability. These results suggest that the model used in this study has strong explanatory and predictive power in analyzing fintech adoption behavior.

Model Fit and Multicollinearity Test

To ensure that the structural model is appropriate, model fit and multicollinearity tests were conducted. The results are presented in Table 2.

Table 2. Model Fit and Multicollinearity Results

Indicator	Value	Threshold	Interpretation
SRMR	0.065	< 0.08	Good Fit
NFI	0.91	> 0.90	Good Fit
VIF (X1)	2.10	< 5	No Multicollinearity
VIF (X2)	2.05	< 5	No Multicollinearity

Based on Table 2, the SRMR value of 0.065 indicates that the model has a good fit, as it is below the recommended threshold of 0.08. Similarly, the NFI value of 0.91 exceeds the minimum requirement of 0.90, further confirming that the model is well-fitted. The Variance Inflation Factor (VIF) values for both independent variables are below 5, indicating that there are no multicollinearity issues. This means that Islamic financial literacy and digital payment are independent variables that do not strongly correlate with each other, allowing for a more accurate estimation of their individual effects on the dependent variable.

Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping method in SEM-PLS. The results are summarized in Table 3.

Table 3. Hypothesis Testing Results

Hypothesis	Path Coefficient (β)	T-Statistic	P-Value	Result
H1: Islamic Financial Literacy → Intention	0.41	4.85	0.000	Accepted
H2: Digital Payment → Intention	0.38	4.12	0.000	Accepted

As presented in Table 3, both Islamic financial literacy and digital payment have positive and significant effects on the intention to use Sharia fintech. The t-statistic values exceed 1.96 and the p-values are below 0.05, indicating that the hypotheses are statistically supported.

Discussion

The findings of this study indicate that Islamic financial literacy plays a significant role in influencing Generation Z’s intention to use Sharia fintech. Individuals with higher levels of understanding regarding Islamic financial principles tend to make financial decisions that align with their values. This finding reinforces the importance of financial literacy as a foundation for ethical financial behavior, particularly in the context of Islamic finance (Yusriadi et al., 2022).

Furthermore, digital payment has a significant positive effect on the intention to use Sharia fintech. This suggests that familiarity with digital financial systems enhances user readiness to adopt more advanced financial technologies. The convenience and efficiency offered by digital payment platforms reduce perceived barriers and increase user confidence, which ultimately encourages adoption (Saputri & Prasetyo, 2023).

The combined influence of Islamic financial literacy and digital payment indicates that both cognitive and technological factors are essential in shaping user behavior. The relatively high explanatory power of the model suggests that these variables are key determinants in fintech adoption. This finding supports the argument that technology adoption is influenced not only by usability but also by user knowledge and awareness (Rohman et al., 2021).

In addition, the results show that Generation Z prioritizes convenience while still considering value alignment, particularly in relation to Sharia compliance. This implies that fintech providers must integrate technological innovation with adherence to Islamic principles. Previous studies have highlighted that trust in Sharia compliance significantly influences user acceptance of Islamic fintech services (Fauzi & Riyadi, 2023).

Another important finding is that digital payment acts as a gateway to fintech adoption. The frequent use of digital transaction systems builds familiarity and reduces uncertainty, making users more open to adopting new financial technologies. This is consistent with studies indicating that habitual use of digital financial services strengthens behavioral intention (Hendarsyah, 2022).

Moreover, improving Islamic financial literacy can significantly enhance the adoption of Sharia fintech. Educational initiatives that focus on increasing awareness of Islamic financial principles can reduce misconceptions and strengthen user confidence. At the same time, improving the quality and accessibility of digital financial services is crucial in supporting sustainable adoption (Maulana & Fitriani, 2021).

Overall, the findings confirm that the adoption of Sharia fintech among Generation Z is influenced by a combination of knowledge and digital experience. These results provide important implications for policymakers and fintech developers in designing strategies to promote Islamic digital financial services more effectively.

CONCLUSION

This study aims to analyze the influence of Islamic financial literacy and digital payment on Generation Z's intention to use Sharia fintech. The results indicate that both Islamic financial literacy and digital payment have a positive and significant effect on behavioral intention. This finding confirms that individuals with a better understanding of Islamic financial principles are more likely to adopt Sharia-compliant financial technologies. In addition, digital payment plays an important role in shaping user readiness, as familiarity with digital transactions increases confidence in adopting fintech services. The combination of knowledge and technological experience significantly contributes to explaining users' behavioral intentions, as reflected in the strong explanatory power of the research model.

Overall, this study demonstrates that the adoption of Sharia fintech among Generation Z is influenced by both cognitive factors, such as financial literacy, and technological factors, such as digital payment usage. These findings highlight the importance of integrating education and digital innovation in promoting Islamic financial services in the modern era. The findings of this study provide both theoretical and practical implications. From a theoretical perspective, this study contributes to the development of literature on Islamic fintech by integrating Islamic financial literacy and digital payment within the framework of technology adoption. It strengthens the argument that fintech adoption is not solely determined by technological factors but also by users' knowledge and value alignment.

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