

The Influence Of Financial Technology (Fintech), And Association On The Islamic Financial Literacy Of Generation Z

Suci Sulkaidah^{1*}, Jumawan Jasman², Hapid³

¹Faculty of Economics and Business, University of Muhammadiyah Palopo, 91922, Indonesia

²Faculty of Economics and Business, University of Muhammadiyah Palopo, 91922, Indonesia

³Faculty of Economics and Business, University of Muhammadiyah Palopo, 91922, Indonesia

Corresponding Author Email sucisulkaidah@student.umpalopo.ac.id

Abstract

Knowledge literacy finance Islam on society in Indonesia especially on generation Z very much it's important to get it manage finance they in a way Good with the concepts applied in accordance with Sharia Islam . Objective from study This is For know is with the existence of Financial Technology and association on generation Z can give influence to literacy finance Islam. Research This done with method quantitative . Population on study This is Generation Z was born on 1995 – 2009 with amount sample as many as 135 generation Z. Engineering collection of this data use questionnaire with scale five- point Likert from very No agree until very agree . On study This do test validity And test multiple linear regression with tool analysis using SPSS. Results from response respondents majority generation Z type sex Woman And range age between 19 – 28 years . From the results test regression that has been done show exists influence positive And significant at each variable independent to variable dependent so that can concluded that with the existence of financial technology and association can give influence to literacy finance Islam generation Z in general Partial And in a way simultaneous.

Keywords: Generation Z; Islamic Financial Literacy.

1. Introduction

Knowledge Islamic financial literacy among people in Indonesia, especially generation Z, is very important in order to be able to manage finances well with concepts applied in accordance with Islamic law. We can easily increase the level of Islamic financial literacy, where there is increasingly advanced technology, education, and discussions within family and peers. *As stated by* Suraya in [1], Islamic financial literacy among people in Indonesia is still relatively low compared to national financial literacy, where the sharia financial inclusion index is still at 11.06% while the national financial inclusion index has reached at 67.82% . In [2]put forward by Stolper and Walter (2017) who argue that low levels of financial literacy are associated with suboptimal financial behavior which may have long-term consequences. In [3]stated that despite the fact that Indonesia is the country with the largest population of Muslims in the world, the majority of them are reluctant to use sharia banking, and prefer to use conventional banking (Wilson et al., 2013).

(Abror, 2019), Generation Z is the young generation who were born and raised between 1995 - 2001 (Broadbent et al.) or year 1995 - 2009 (Goh & Jie, 2019). This generation has a strong interest in religion, especially in Indonesia (Broadbent et al., 2017). Therefore , the sharia economic development strategy must include Generation Z owns mastery of technology and diversity Which strong. With the existence of Financial Technology (FinTech), which is a technology- based financial service which creates transaction models that previously used traditional methods which then become modern. Currently FinTech has entered the sharia financial system so that Fintech provides platforms

and information about Islamic finance. This helps increase understanding and awareness of Islamic financial literacy among fintech users, especially generation Z. Fintech can provide easier access to financial services that comply with Islamic principles such as savings, and help generation Z in carrying out transactions, monitoring and managing finances they take into account the prohibition of usury and other sharia financial practices. In [4] Financial Technology (Fintech) according to Bank Indonesia (BI), the use of technology in the financial system that produces new products, services, technology, business models and has an impact on monetary stability, financial system stability, such as on the efficiency, smoothness, security and reliability of the payment system. Fintech itself, in its current development, has something called Sharia Financial Technology (Syariah Fintech), in the MUI Fatwa (MUI National Sharia Council Fatwa, number 117/DSN-MUI/II/2018:6) Sharia Financial Technology (Syariah Fintech) is the provision of financial services based on sharia principles, therefore Sharia Fintech must avoid usury, gharar, maysir, tadbis and dharar.

As in research results [5], which states that Fintech has a positive influence on Islamic financial literacy. SEM calculations produce a CR value of 4.695, which means that this hypothesis is accepted. This means that there is an influence between fintech and sharia financial literacy. Apart from technology, generation Z is a group that is actively present in society, socializing and establishing social relationships between one person and another, resulting in mutual influence and mutual exchange of information, both general information and personal information. By socializing and discussing, you can broaden your insight and knowledge depending on the environment and what is the topic of discussion.

Australia and New Zealand Banking Group Limited, in [6], said there are several factors that can influence a person's financial literacy such as age, financial knowledge and numerical financial attitudes, household income, education, position and social environment. Previous research also shows the influence of social interactions on financial literacy where the results of research [7] have found that there is a positive and significant influence between family economic education and social friends on the economic literacy of Jambi University students. From the results of the description above, the researcher hereby raises the research title, namely, "The Influence of Financial Technology and Social Relations on the Islamic Financial Literacy of Generation Z". This research aims to enable us to find out whether the existence of Financial Technology (FinTech) and the interactions of generation Z can have an influence on Islamic financial literacy. This research highlights the novelty of research on the dependent variable, namely Islamic financial literacy, while the research used as a reference discusses financial literacy in general

2. Methodology

This type of research is quantitative research that is quantitative in nature. Causative research is research that tests the influence of variables on other variables (Hair, et al, 2010) in journals [8]. The population of this study is Generation Z who are at least 14 years old - 28 years old in Palopo City. Determination of the research sample size was based on the concept of Hair et al. (2010) reported that the sample range was 5-20 times the number of research variables/questionnaire statement items. The research sample met the criteria for a minimum sample size of 135 with 27 statement items. Data collection was carried out using the

convenience sampling method. Convenience sampling involves collecting data from a population based on the respondent's willingness to provide the required information or data at the time and location of the survey (Hair et al., 2010). Data was collected through questionnaires distributed via social media platforms such as Facebook, Instagram and WhatsApp.

The data analysis method used is the multiple linear regression method. This research has three variables, including two independent variables, namely, financial technology (FinTech) (X1), social relations (X2), and one dependent variable, namely, Islamic financial literacy (Y).

Table 1. Definitions and Indicators

Variable	Indicator	Definition	Variable Measurement
Financial Technology (FinTech) (X1)	convenience, benefits and trust	Financial Technology is an innovation in financial services by utilizing developments in information technology	likert
Association (X2)	information (information), emotional (family relationships), and real help.	Social connections where generation Z can get information and help.	likert
Islamic Financial Literacy (Y)	<ol style="list-style-type: none"> 1. Understanding of Riba, buying and selling, and profit sharing 2. Understanding of zakat, infaq and waqf. 3. Understanding of mudharabah, sharia deposits and bonds 	Financial management knowledge and skills aimed at improving welfare based on sharia principles, especially through eliminating the element of usury and understanding zakat and other Islamic principles.	likert

In measuring the three variables, this research uses a Likert scale measurement of 1-5 for all questionnaire statement items. Where 1 means Strongly disagree to 5 which means Strongly agree.

Analysis Techniques

1) Validity and Reliability Test Analysis

The validity results of each instrument used in the questionnaire can be seen from the large numbers with decision making criteria including :

- a. If the calculated r value $>$ r table, then it can be stated that the data can be declared valid.
- b. If the calculated r value $<$ r table, then it can be stated that the data can be declared invalid.

According to Wiratna Sujerweni (2014) in [9], a questionnaire is said to be reliable if the Cronbach alpha value is $>$ 0.60, meaning the items are very reliable as a data collection tool in this research.

2) Multiple Linear Regression Analysis

In [10] Multiple linear regression is a tool that can be used to predict future demand based on past data or to determine the influence of one or more independent variables on one dependent variable (Siregar , 2015 : 405). The general equation is:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where :

Y = Islamic Financial Literacy

X1 = Financial Technology

X2 = Association

a = constant

b1 ,b2 = coefficient

e = error

t test

The decision making on the t test is as follows:

- a) If $t_{count} > t_{table}$, then the independent variable has an effect on the dependent variable.
- b) If $t_{count} < t_{table}$, then the independent variable has no effect on the dependent variable.

F test

The F test is carried out by comparing F_{count} and F_{table} or by checking the significance column of each F_{count} . The decision is as follows:

- a) If $F_{count} > F_{table}$, then the independent variable simultaneously influences the dependent variable.
- b) If $F_{count} < F_{table}$, then the independent variable simultaneously has no effect on the dependent variable.

Determination Coefficient Test (Adjusted R Square)

The Adjusted R-squared decision test is used to determine how much influence an independent variable has on the dependent variable. According to Priyatno (2008: 79), decision analysis is used in multiple regression to determine the contribution of the influence of independent variables. (X1, X2) simultaneously on the dependent variable

3. Result and Discussion

3.1 Result

a. Descriptive Respondents' Answers

From the responses of 135 respondents, the majority of respondents in this survey were Generation Z female at 64.4 % , 87 respondents, and the lowest proportion were male at 35.6% of the total 48 respondents. The characteristics of generation Z based on age, the largest percentage is shown by generation Z with an age range between 19 - 28 years, namely 70.4% with 95 respondents, while the smallest percentage is shown by generation Z with an age range between 14 - 18 years, namely 29 .6% with 40 respondents.

b. Validity and Reliability Test

Based on the results of the validity test carried out by researchers in this study, the calculated r value $> r$ table ($0.514 - 0.758 > 0.169$) was obtained, which means that each statement item in this research questionnaire was declared valid.

From the results of the reliability test carried out by researchers, the *Cronbach alpha value* is > 0.60 ($0.810 - 0.887 > 0.60$).

c. Multiple Linear Regression Test

Multiple linear regression analysis was carried out to determine how much influence financial technology (X1) and social interactions (X2) have on Islamic financial literacy (Y). The results of multiple linear regression analysis can be seen in the following table:

Table 2. Results of Multiple Linear Regression Analysis

	Coefficient	t count	Sig.	Results
Constant	5.108			
Financial Technology Association	,375	3,787	,000	Accepted
	,507	6,163	,000	Accepted
F – Statistics	101914			
Sig. F statistics	,000 ^b			
R²	,607			
Adj. R Square	,601			

Source : Data processed by researchers (2023)

Based on the table above, the multiple linear regression equation can be read as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = 5.108 + .375X_1 + .507X_2 + e$$

Based on the equation above, it can be concluded that the constant value obtained is 5.108, meaning that if the value of financial technology (X1) and social relations (X2) is 0, then the value of Islamic financial literacy (Y) is 5.108. The regression coefficient for the financial technology variable (X1) is .375, meaning that if other independent variables have a fixed value and financial technology (X1) increases by 1 level, then Islamic financial literacy (Y) will increase by .375. The regression coefficient for the social variable (X2) is .507, meaning that if the other independent variables have a fixed value and the social variable (X2) increases by 1 level, then Islamic financial literacy (Y) will increase by .507. The t test is carried out to see how each independent variable influences the dependent variable. The financial technology variable (X1) has a calculated t value $> t$ table ($3,787 > 1,978$) and a significance value < 0.05 ($.000 < 0.05$), so it can be concluded that financial technology (X1) partially influences Islamic financial literacy (Y). Meanwhile, for the social variable (X2), the calculated t value is $> t$ table ($6.163 > 1.978$) and the significance is < 0.05 ($0.000 < 0.05$), so it can be concluded that social interaction (X2) partially influences Islamic financial literacy (Y).

Based on Table 2 above, the results of the F test show that the calculated F value $> F$ table ($101,914 > 3,064$) which means that financial technology (X1) and social interactions (X2) simultaneously influence Islamic financial literacy (Y). With a sig value of $0.000 < 0.05$. Test Adj. R-Square (coefficient of determination) is used to determine the percentage influence of the independent variable on the dependent variable. Based on Table 2 above, it is known that the value of Adj. The R-Square is .601, which means that the percentage influence of financial technology (X1) and social interactions (X2) variables on Islamic financial literacy (Y) is 60.1%, while the remaining 39.9% is explained by variables other than the independent variables in the research.

3.2 Discussion

1. The Influence of Financial Technology (X 1) on Islamic Financial Literacy (Y)

Based on the results of research that has been carried out, it shows that financial technology (X1) has a positive and significant effect on Islamic financial literacy (Y) in generation Z which is expressed in the t test with significant results of $0.000 < 0.05$ and t count $3,787 > 1,978$ t table . This means that with financial technology, generation Z can know how to manage their finances according to Islamic law. Financial Technology with indicators of convenience, benefits and trust has an influence on Islamic Financial Literacy in generation Z, because it has provided easier and more inclusive access to financial products that comply with sharia principles. Through the Finech platform, generation Z can easily and quickly access information, carry out transactions and understand Islamic financial concepts interactively. This can help increase generation Z's understanding of financial aspects in accordance with Islamic values and support the growth of financial literacy among generation Z. As in the results of previous research conducted by [5], it was stated that Fintech had a positive effect on sharia financial literacy among FEBI IAIN Purwokerto students in 2017. Apart from that, the results of research also previously conducted by [11] stated that the service Technology-Based Finance (X) has a significant effect on financial literacy in the city of Palu.

2. Influence of Association (X2) on Islamic Financial Literacy (Y)

Based on the results of the research that has been carried out, it shows that association (X2) has a positive and significant effect on Islamic financial literacy (Y) which is expressed in a partial t test with significant results of $0.000 < 0.05$ and t count $6.163 > 1.978$ t table. This means that generation Z can provide information and knowledge related to Islamic financial literacy. Generation Z who are in the midst of a social environment and interacting with each other will of course share information and experiences related to Islamic financial literacy. In a supportive social environment, generation Z will of course be encouraged to understand and apply Islamic financial principles in their lives. Apart from that, in a family environment it will certainly teach and encourage them to manage their finances in accordance with established Islamic law. As in previous research conducted by Australia and New Zealand Banking Group Limited, in [6] stated that the factors that influence financial literacy are age, financial knowledge and numerical financial attitudes, household income, education, status, and social environment. Then, previous research conducted by [12] also stated that the variable sharia financial literacy had a positive influence on awareness of sharia financial

planning in Cilegon City. By having insightful knowledge and expertise individuals can increase awareness of sharia financial planning.

3. The Influence of Financial Technology (X1) and Relationships (X2) on Islamic Financial Literacy (Y)

Based on the results of research conducted by researchers, it shows that there is an influence between financial technology (X1) and social interactions (X2) on Islamic financial literacy (Y) in generation Z. Where is the calculated F value $>$ F table ($101,914 > 3,064$) with a significance level of .000. This explains that with the existence of financial technology and social interactions it is possible help generation Z understand and increase their understanding and awareness of the importance of applying Islamic financial literacy. Such as the use of FinTech which provides easier access to financial services that comply with Islamic principles such as savings, and helps generation Z in carrying out transactions, monitoring and managing their finances by considering the prohibition of usury and sharia financial practices.

One of the verses that explains the prohibition of usury is in surah Al-Baqarah verse 275 which reads:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ قَالُوا
إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۚ فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى
فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۗ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۗ هُمْ فِيهَا خَالِدُونَ

Meaning: People who eat (take) usury cannot stand but are like those who are possessed by the devil because of (the pressure of) insanity. Their situation is like that, because they say (opinion), actually buying and selling is the same as usury, even though Allah has permitted buying and selling and forbidden usury. Those who have received a prohibition from their Lord, and then continue to stop (from taking usury), will have for them what they have taken previously (before the prohibition came); and its affairs are (up to) Allah. Those who return (take usury), then those people are the inhabitants of hell; they will abide therein. The verse above explains that people who consume usury live in fear and their souls cannot find peace. Therefore, it is important to have knowledge of sharia finance to understand that Allah allows buying and selling and forbids usury

4. Conclusion

Based on the results of the research that has been carried out, the researcher can conclude that there is a positive and significant influence between financial technology (X1) on Islamic financial literacy (Y) and social interactions (X2) between positive and significant influence on Islamic financial literacy (Y). This means that together Financial Technology (X1) and Social Relations (X2) influence the slam financial literacy (Y) in generation Z

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