

Review Article

Understanding Generation Z's Financial Behavior within the Halal Economy: A Literature Review

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Abstract. The rapid expansion of the halal economy has increased the importance of understanding the financial behavior of Generation Z as future contributors to the development of Islamic finance. Despite growing awareness of halal products and services, many young individuals demonstrate diverse financial attitudes and practices shaped by educational, economic, social, and religious factors. This study aims to explore and understand the financial behavior of Generation Z within the context of the halal economy through a review of relevant literature related to Islamic finance, financial literacy, religiosity, and financial behavior. A qualitative descriptive approach was employed through literature review and thematic analysis of previous studies related to Generation Z, Islamic finance, and the halal economy. The findings from the reviewed literature indicate that Generation Z's financial behavior is influenced by Islamic financial literacy, income conditions, religiosity, family environment, and exposure to digital financial technology. Furthermore, previous studies generally indicate that Islamic finance is perceived as an important component of the halal economy; however, practical challenges such as limited financial resources and varying levels of financial literacy continue to affect financial decisions among Generation Z. The study concludes that strengthening Islamic financial education and increasing awareness of halal financial practices are essential to encourage responsible financial behavior among Generation Z. These findings contribute to the growing literature on Islamic finance, youth financial behavior, and the development of the halal economy in Indonesia.

Keywords: Financial Behavior; Financial Literacy; Generation Z; Halal Economy; Islamic Finance.

1. Introduction

The rapid growth of the halal economy has transformed the global economic landscape and created new opportunities for the development of Islamic finance. The halal economy extends beyond halal food and beverages and includes various sectors such as Islamic finance, halal tourism, modest fashion, halal pharmaceuticals, and halal cosmetics. As the country with the largest Muslim population in the world, Indonesia has significant potential to become a leading player in the global halal economy. The continued expansion of Islamic financial institutions and halal industries has increased the need to understand consumer behavior, particularly among younger generations who will shape the future of the industry.

Generation Z represents a demographic group born approximately between 1997 and 2012 and is recognized as the first generation to grow up in a fully digital environment. Their financial behavior is strongly influenced by technological advancement, social media exposure, digital payment systems, and changing consumption patterns. As future consumers, entrepreneurs, and investors, Generation Z plays a strategic role in determining the sustainability of the halal economy. Consequently, understanding how this generation manages financial resources and makes financial decisions is essential for strengthening Islamic financial inclusion.

Although awareness of halal products and Islamic financial principles has increased, the actual financial behavior of Generation Z remains diverse. Many young individuals express positive attitudes toward Islamic finance but continue to face practical challenges in implementing Islamic financial practices. Factors such as financial literacy, religiosity, income conditions, family background, and exposure to financial technology may influence their financial decisions. This situation highlights the importance of examining financial behavior from a broader perspective within the halal economy.

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Previous studies have primarily focused on the relationship between Islamic financial literacy, religiosity, saving intentions, and the adoption of Islamic financial services using quantitative approaches. However, limited studies have explored how Generation Z interprets and practices financial behavior within the halal economy through qualitative inquiry. Furthermore, little attention has been given to the experiences and perceptions of Sharia Economics students who possess formal educational exposure to Islamic economic principles.

Therefore, this study aims to explore and understand Generation Z's financial behavior within the halal economy through an analysis of relevant literature related to Islamic finance, financial literacy, religiosity, and financial behavior. The findings are expected to contribute to the literature on Islamic finance, financial behavior, and halal economic development while providing insights for educators, policymakers, and Islamic financial institutions.

2. Literature Review

A literature review is essential for understanding the theoretical foundations and empirical findings related to financial behavior within the halal economy. Previous studies have highlighted the importance of financial literacy, religiosity, income conditions, and technological developments in shaping individuals' financial decisions. In the context of Generation Z, these factors become increasingly relevant due to the generation's strong engagement with digital technology and evolving consumption patterns. This section discusses the key concepts and theories underlying the study, including the halal economy, financial behavior, Generation Z characteristics, Islamic financial literacy, and religiosity. It also presents the conceptual framework that guides the analysis of Generation Z's financial behavior within the context of the halal economy.

Halal Economy

The halal economy refers to economic activities that comply with Islamic principles and values. It encompasses sectors such as Islamic finance, halal food, halal tourism, halal fashion, halal pharmaceuticals, and halal cosmetics. The development of the halal economy has become an important strategy for promoting sustainable economic growth and improving the welfare of Muslim communities worldwide.

Financial Behavior

Financial behavior refers to an individual's actions and decisions related to managing financial resources. These behaviors include budgeting, spending, saving, investing, and debt management. Positive financial behavior reflects responsible financial decision making and contributes to long-term financial well being.

Generation Z and Financial Decision Making

Generation Z is characterized by high digital literacy and extensive use of technology in daily life. Digital financial services, electronic payment systems, and online banking applications have significantly influenced the financial behavior of this generation. As digital natives, Generation Z tends to seek convenience, efficiency, and accessibility in financial transactions.

Islamic Financial Literacy

Islamic financial literacy refers to knowledge and understanding of Islamic financial concepts, products, and principles. It includes awareness of prohibitions against *riba*, *gharar*, and *maysir*, as well as knowledge of Islamic banking, Islamic investment, and profit-sharing mechanisms. Higher levels of Islamic financial literacy are associated with greater adoption of Islamic financial services.

Religiosity and Financial Behavior

Religiosity reflects the degree to which individuals practice and internalize religious values in their daily lives. In the context of financial behavior, religiosity may influence consumption patterns, saving decisions, and the selection of financial institutions. Individuals with higher religiosity are generally more likely to engage in financial activities that align with Islamic principles.

Conceptual Framework

This study assumes that Generation Z's financial behavior within the halal economy is influenced by several interrelated factors, including Islamic financial literacy, religiosity, income conditions, family background, and exposure to digital financial technology. These factors collectively shape financial attitudes, preferences, and decision making processes.

3. Research Method

This study aims to explore Generation Z's financial behavior within the halal economy through a qualitative descriptive approach. The study relies on secondary data obtained from

previous literature and relevant reports discussing Islamic finance, financial literacy, religiosity, and financial behavior among young consumers. This approach was selected to provide a comprehensive understanding of the factors influencing financial behavior in the context of the halal economy.

Research Design

This study employed a qualitative descriptive design. A qualitative approach was considered appropriate because it enables the researcher to examine and interpret findings from previous studies related to Generation Z's financial behavior and the development of the halal economy. The study focuses on understanding recurring themes, patterns, and perspectives identified in the existing literature.

Data Sources

The study utilized secondary data obtained from various academic sources, including journal articles, conference proceedings, books, reports from Islamic financial institutions, and publications related to halal economy development. The selected sources were chosen based on their relevance to the research topic and their contribution to understanding Generation Z's financial behavior within the context of Islamic finance.

Data Collection Procedure

Data collection was conducted through a literature review process. Relevant publications were identified, selected, and reviewed systematically. The researcher focused on studies discussing Islamic financial literacy, religiosity, financial behavior, digital financial technology, and halal economic practices among Generation Z. The selected literature was then organized and categorized according to the research objectives.

Data Analysis

The collected literature was analyzed using thematic analysis. The analysis involved several stages, including literature identification, data reduction, coding of key concepts, theme categorization, and interpretation of findings. Through this process, major themes influencing Generation Z's financial behavior within the halal economy were identified and discussed.

Trustworthiness of Data

To enhance the credibility of the study, source triangulation was applied by utilizing multiple academic references from different authors, institutions, and publication sources. The use of diverse and relevant references helped ensure the consistency and reliability of the findings.

Ethical Considerations

This study relied exclusively on publicly available academic literature and secondary data sources. Therefore, no direct interaction with human participants was involved. All references used in the study were properly cited to maintain academic integrity and avoid plagiarism.

4. Results and Discussion

This section presents and discusses the findings derived from the reviewed literature concerning Generation Z's financial behavior within the halal economy. The analysis focuses on several key themes that consistently emerge in previous studies, including Islamic financial literacy, income conditions, religiosity, digital financial technology, and perceptions of Islamic finance. These themes are considered important factors influencing financial attitudes, decision-making processes, and financial practices among young consumers. Through thematic analysis of the selected literature, this study aims to provide a comprehensive understanding of how Generation Z interacts with Islamic financial principles and contributes to the development of the halal economy.

Islamic Financial Literacy and Generation Z Financial Behavior

The reviewed literature indicates that Islamic financial literacy is one of the most influential factors affecting Generation Z's financial behavior. Islamic financial literacy refers to an individual's knowledge and understanding of Islamic financial principles, including the concepts of *riba*, *gharar*, *maysir*, profit-sharing mechanisms, and Sharia-compliant financial products.

Previous studies have consistently demonstrated that individuals with higher levels of Islamic financial literacy tend to make more responsible financial decisions and show greater interest in utilizing Islamic financial services. Financial literacy enables young consumers to evaluate financial products critically and select services that align with Islamic principles. Within the halal economy, Islamic financial literacy also contributes to increasing awareness of ethical consumption and responsible financial management.

For Generation Z, access to information through digital technology has facilitated learning about Islamic finance. However, the availability of information does not always guarantee adequate understanding. Several studies suggest that many young individuals remain unfamiliar with the practical implementation of Islamic financial concepts despite possessing basic theoretical knowledge. Therefore, strengthening Islamic financial literacy remains essential for encouraging responsible financial behavior and increasing participation in the halal economy.

The Influence of Income Conditions on Financial Decisions

Income conditions play an important role in shaping financial behavior among Generation Z. Existing literature suggests that financial decisions are often influenced by the availability of financial resources and individual economic circumstances. Young adults generally face various financial challenges, including limited income, educational expenses, and increasing living costs.

Research findings indicate that individuals with stable income sources tend to demonstrate better financial planning and saving behavior. Conversely, financial limitations may encourage short-term financial decision-making and reduce the ability to save or invest. In the context of the halal economy, income conditions also influence the adoption of Islamic financial products and services.

Although Islamic values encourage responsible financial management, economic realities often determine how individuals allocate their financial resources. Consequently, financial education initiatives should consider the economic circumstances experienced by young people and provide practical strategies for financial planning regardless of income level.

Religiosity and Financial Behavior within the Halal Economy

Religiosity has been widely recognized as a significant factor influencing financial behavior. The reviewed literature suggests that religious beliefs and values play an important role in shaping financial attitudes, consumption patterns, and financial decision making processes.

Within the context of Islamic economics, religiosity encourages individuals to engage in financial activities that comply with Islamic principles. This includes avoiding prohibited transactions, prioritizing halal consumption, and utilizing Sharia compliant financial services. Several studies have reported a positive relationship between religiosity and the intention to use Islamic banking products.

For Generation Z, religiosity functions as an internal mechanism that guides financial behavior and influences financial preferences. Individuals with stronger religious commitment are generally more likely to consider Islamic values when making financial decisions. As a result, religiosity contributes significantly to promoting ethical financial behavior and supporting the development of the halal economy.

Digital Financial Technology and Generation Z Lifestyle

The development of digital financial technology has transformed the financial behavior of Generation Z. As digital natives, young consumers frequently utilize mobile banking applications, e-wallets, online payment systems, and digital financial platforms in their daily activities.

The literature demonstrates that digital financial technology provides convenience, efficiency, and accessibility in financial transactions. The integration of technology into financial activities enables users to conduct transactions more quickly and manage financial resources more effectively. However, the convenience offered by digital platforms may also encourage impulsive spending behavior and excessive consumption.

From the perspective of the halal economy, digital technology presents both opportunities and challenges. On one hand, technology facilitates access to Islamic financial services and promotes financial inclusion. On the other hand, it requires users to possess adequate financial literacy to avoid irresponsible financial behavior. Therefore, improving both digital financial literacy and Islamic financial literacy is essential for ensuring that technological advancement contributes positively to financial well being.

Islamic Finance and the Development of the Halal Economy

Islamic finance is widely recognized as one of the fundamental pillars supporting the development of the halal economy. Existing studies indicate that Islamic financial institutions contribute significantly to economic growth, financial inclusion, and sustainable development.

The halal economy encompasses a wide range of sectors, including halal food, halal tourism, halal fashion, halal pharmaceuticals, and Islamic finance. Among these sectors, Islamic finance serves as the financial foundation that supports economic activities while ensuring compliance with Islamic principles. The growth of Islamic banking, Islamic microfinance institutions, and Shariacompliant investment products has expanded opportunities for individuals and businesses to participate in the halal economy.

The reviewed literature also suggests that increasing awareness of Islamic finance among young consumers may contribute to greater adoption of Sharia compliant financial services. As future consumers, entrepreneurs, and investors, Generation Z possesses significant potential to support the continued growth of the halal economy. Therefore, strengthening financial education and promoting awareness of Islamic finance remain important strategies for enhancing participation in halal economic activities.

Comparison with Previous Studies

The findings of this study are generally consistent with previous research concerning Generation Z's financial behavior and the adoption of Islamic financial practices. Existing studies indicate that Islamic financial literacy significantly contributes to financial decision-making and encourages the utilization of Sharia-compliant financial products and services. Similar findings are highlighted in studies examining the relationship between financial literacy and saving behavior among young consumers.

The reviewed literature also confirms the importance of religiosity in shaping financial attitudes and behavioral intentions. Individuals with stronger religious commitment tend to demonstrate greater awareness of Islamic financial principles and show stronger preferences for Islamic financial institutions. These findings support previous studies emphasizing religiosity as an important determinant of financial behavior within Islamic economic contexts.

In addition, the literature reveals that digital financial technology has become a major factor influencing Generation Z's financial behavior. This finding is consistent with contemporary studies highlighting the growing role of financial technology in facilitating transactions, increasing financial inclusion, and transforming consumption patterns among young adults.

However, unlike many previous studies that primarily employ quantitative approaches and focus on testing relationships between variables, this study provides a broader conceptual perspective by integrating findings from multiple studies related to Islamic financial literacy, religiosity, income conditions, and digital financial technology within the framework of the halal economy. Therefore, this study contributes to the existing literature by offering a comprehensive understanding of Generation Z's financial behavior from a halal economy perspective.

5. Conclusion

This study explored Generation Z's financial behavior within the halal economy through a review of relevant literature concerning Islamic finance, financial literacy, religiosity, income conditions, and digital financial technology. The findings suggest that financial behavior among Generation Z is shaped by a combination of internal and external factors that influence financial attitudes, preferences, and decision-making processes.

Islamic financial literacy plays an important role in improving understanding of Sharia-compliant financial practices and encouraging responsible financial behavior. Religiosity contributes to financial decision-making by promoting ethical values and increasing awareness of Islamic financial principles. In addition, income conditions influence financial planning and spending behavior, while digital financial technology significantly affects the way Generation Z manages financial transactions and accesses financial services.

The study also highlights the strategic role of Islamic finance in supporting the development of the halal economy. As future consumers, entrepreneurs, and investors, Generation Z has considerable potential to contribute to the growth of halal economic sectors. Therefore, strengthening Islamic financial literacy, promoting awareness of Islamic financial institutions, and encouraging responsible use of digital financial technology are essential for supporting sustainable halal economic development.

This study is limited by its reliance on secondary data and previously published literature. Future research is encouraged to employ empirical approaches involving broader participant groups and diverse demographic backgrounds in order to provide deeper insights into Generation Z's financial behavior within the halal economy.

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