# DETERMINANTS OF Z GENERATION'S SAVING INTENTION IN ISLAMIC BANKS

**Siti Fatimah Zahra[1a]**
[1a]Universitas Negeri Jakarta, Jakarta, Indonesia, e-mail: sitifatimah@unj.ac.id

## ABSTRACT

The market share of the Islamic banking industry in Indonesia for three decades, based on OJK data at the end of 2022, only reached 7.03%. This figure is categorized as low when viewed from the overall Muslim-majority population. Many Muslims have excellent potential for developing Islamic banking in Indonesia. This study aims to look at the factors that influence attracting people to save their money in Islamic banks through saving activities, especially in Generation Z. The data used in this study are the data of Generation Z. The data used in this study are primary data obtained directly through questionnaires and processed by the SEM PLS method. The results of this study prove that Islamic financial literacy, religiosity level, and digital marketing have a significant influence on Generation Z's interest in saving money at Islamic banks. The social environment and product quality do not have a significant influence. Therefore, the government, banks, and other related parties need to increase public financial literacy through various media and studies related to Islamic economic materials and strengthened by digital marketing that further introduces Islamic banking products, especially to Generation Z.

Keywords: Sharia Banks; Interests; Internal Factors; External Factors; SEM-PLS

## INTRODUCTION

Sharia banking in Indonesia, with its legal foundation established by Law no. 10 of 1998, holds immense potential for the progress of the banking industry as a sharia financial institution. Despite its current market share of 7.03% as reported by OJK at the end of 2022, which is relatively small considering the large Muslim population (around 87.2% of the total population) (Kemenag, 2023), this presents a promising opportunity for the future development of sharia banking in Indonesia.

In attracting public interest in deciding to choose a Sharia bank, many factors influence it, starting from the level of Sharia financial literacy (Wahyudin, 2018; Rozikin & Sholekhah, 2020; Fauzi, 2020), religiosity (Amini et al., 2020; Mahgalena et al., 2021; Saptasari & Aji, 2020; Yasin et al., 2021), knowledge (Rickwood et al., 2017), educational background (Sen et al., 2020; Nugraheni & Widyani, 2021), and other factors.

Based on various previous studies, these influencing factors can be divided into internal and external factors. Financial literacy will influence a person's attitude toward the assets they own. Therefore, the government continues to strive to increase financial literacy among the public. To find out people's literacy regarding Sharia finance, the government conducted a survey, which showed that people's Sharia financial literacy was still relatively minimal. This can be seen from the Sharia financial literacy index results of 9.14 percent in 2022. So, efforts are needed to increase the public's Sharia financial literacy as one way to encourage the development of the current Sharia financial industry, especially for people who have special needs and still live in remote areas and need to improve their knowledge and technology.

On the other hand, many people's activities are greatly influenced by their religiosity. The results of several studies regarding the influence of religiosity on interest in saving vary. Rachmatulloh (2020) states that the level of religiosity has no impact on the decision to save at a Sharia bank. However, other research conducted by Resty & Hidayat (2021), Nugraheni & Widyani (2020), Bananuka et al. (2020), and Suhartanto (2019) proves that religiosity is an important factor that attracts someone to choose services from Islamic Bank.

The level of knowledge regarding a banking product will also influence a person's interest in using these financial services, including savings services. This is as stated by Nugraheni & Widyani, (2021) and Saptasari & Aji (2020). Apart from internal factors, interest in saving at Islamic banks can also be influenced by external factors such as recommendations from parents, neighbors, friends, and others.

This research focuses more on Generation Z, which currently makes up the majority of the population, namely 27.94%. They can become a target for Islamic banks in increasing interest in saving at Islamic banks. Also, Generation Z is still young, so they can be more productive and have longer prospects for the future. It is hoped that the increased interest in saving for Generation Z in the future can contribute to the development of Sharia banking. Apart from that, Generation Z also has an important role because they are the nation's next generation, and they will control a country's economic development.

## MATERIAL AND METHODS

One way to increase the market share of Sharia banking is through introducing Sharia banking to Generation Z, the majority of whom are students. Chigamba and Fatoki (2011) stated that students are potential customers to save money for banks. Even though they do not currently have an income, they will work and earn income in the future. So, encouraging them

to save at Sharia banks and use Sharia financial services in their transactions will support the development of the Sharia financial industry. These teenagers are an important market segment that is a source of new bank accounts so that they will provide profitability in the future (Mokhlis et al., 2011).

Many factors influence Generation Z's interest in saving at Islamic banks (Ltifi et al., 2016; Nugraheni & Widyani, 2020). One of them is their financial literacy, religiosity, and others. The purpose of Sharia financial literacy is to help someone be skilled and understand the procedures for managing finances to achieve prosperity based on Sharia principles. Low Sharia financial literacy will have a negative impact on equal access to products in existing Sharia financial institutions (Saputra, 2017).

Religiosity plays a pivotal role in shaping an individual's behavior. Nugroho (2017) has found that the religiosity variable significantly increases the use of Islamic banks. This connection between religiosity and self-efficacy can enhance customers' intentions to participate actively in the Sharia banking system. Moreover, Haryanto & Wulandari (2022), in their review of the Theory of Planned Behavior (TPB) and Perceived Behavior Control (PBC), have further substantiated the positive influence of religiosity on a person's intention to save money in a Sharia bank.

Furthermore, the social environment and product quality are also factors that contribute to the growing interest in saving at Islamic banks. And in this digital age, the support of digital marketing provided by Islamic banks is instrumental. Digital marketing activities serve as a promotional tool to sell products or services and seek a wider market share through various digital media (Purwana et al, 2017; Desai, 2019). As a result, the knowledge of sharia banking among Generation Z is on the rise, paving the way for the expansion of the market share of national and even international sharia banking.

## Research Methods

The data in this research is a type of primary data obtained directly through questionnaires distributed to teenagers belonging to the generation Z category. The method used in this research is SEM PLS which can be used to overcome this problem (Haryono, 2016). Data analysis using the PLS method consists of 3 stages, namely: (1) analysis of the outer model, (2) analysis of the inner model, and (3) testing of the hypotheses that have been created (Hussein, 2015).

1. Outer Model Analysis

This analysis stage aims to ensure that the measure used is suitable to be used as a valid and reliable indicator. This stage is seen from several indicators, including: (1). Convergent validity, (2). Discriminant validity and (3). Unidimensionality (Sarwono and Narimawati, 2015). This stage makes the relationship between latent variables and their measurements more specific. So it can be said that this stage can explain how each measure is related to the latent variable.

2. Inner Model Analysis

This stage is carried out to ensure that the structural model formed is accurate. Analysis at this stage is known through several measures including (1). Coefficient of determination ($R2$); (2). Predictive Relevance ($Q2$); 3. Variance Inflation Factor and (4). Goodness of Fit Index (GoF) (Sarwono and Narimawati, 2015).

## RESULTS AND DISCUSSION

### Respondent Characteristics

The respondents in this study were 128 people who belonged to generation Z and met the sampling criteria in the study.

Table 1. Respondent Characteristics

| Gender | | |
| --- | --- | --- |
| | **Frequency** | **Percentage** |
| Man | 33 | 25,8 |
| Woman | 95 | 74,2 |
| Total | 128 | 100 |
| **Year of Birth** | | |
| | **Frequency** | **Percentage** |
| 1999 | 1 | 0,8 |
| 2000 | 3 | 2,3 |
| 2001 | 6 | 4,7 |
| 2002 | 16 | 12,5 |
| 2003 | 53 | 41,4 |
| 2004 | 46 | 35,9 |
| 2005 | 3 | 2,3 |
| Total | 128 | 100 |
| **Level of Education** | | |
| | **Frequency** | **Percentage** |
| SMA | 116 | 90,6 |
| S1 | 12 | 9,4 |
| Total | 128 | 100 |
| **Educational Background** | | |
| | **Frequency** | **Percentage** |
| Islamic School | 26 | 20,3 |
| Public School | 102 | 79,7 |
| Total | 128 | 100 |

Source: Data processed by researchers (2023)

Based on the results of data collection, it is known that the number of respondents is generation Z who has varied ages, levels of education and educational backgrounds. The majority of Generation Z respondents in this research are students.

**Outer Model Analysis Results**

Outer model analysis was carried out with the aim of ensuring that the instrument used was suitable as a measure for each variable, which was seen through validity tests and reliability tests.

1. Convergent Validity

Based on the test results, all outer loading values have values > 0.7. So it can be concluded that all latent indicators have

met validity. Apart from the outer loading value, convergent validity can be measured by looking at the AVE value with a standard that can be said to be convergently valid and correlated, namely AVE > 0.5. The AVE value can be seen in the following:

Table 2. Average Variance Extracted

| Average Variance Extracted (AVE) |
| --- |
| 0.822 |
| 0.768 |
| 0.757 |
| 0.849 |
| 0.750 |
| 0.743 |

Source: Data processed by researchers (2023)

From this table it can be seen that the AVE value for all variables is greater than 0.5, so this proves that the results for all research variables have met the requirements, and it is said that the measurement items for this variable have convergent validity.

2. Discriminant Validity

In the discriminant validity test, it can be seen from the forelllarcker criterion and cross loading values which show the magnitude of the correlation between the latent variable and the construct variable. The standard value for the discriminant validity test is greater than 0.7. Other latent variable indicators have smaller values than the correlation of each latent variable indicator, so it can be said that the cross loading value is good.

3. Composite Realibility

Indicators to state that they are reliable and acceptable if they have a value above 0.7 which means sufficient and a value above 0.8 has strong reliability.

Table 3. Cronbach's Alpha and Composite Reliability Results

| | Cronbach's Alpha | rho_A | Composite Reliability |
| --- | --- | --- | --- |
| Y | 0.928 | 0.929 | 0.949 |
| X1 | 0.698 | 0.698 | 0.869 |
| X2 | 0.935 | 0.937 | 0.949 |
| X3 | 0.910 | 0.922 | 0.944 |
| X4 | 0.918 | 0.946 | 0.937 |

| | | | |
|---|---|---|---|
| X5 | 0.914 | 0.923 | 0.935 |

Source: Data processed by researchers (2023)

From the table above, it is known that the Cronbach's alpha value for almost all research variables has a value above 0.8. So it can be concluded from the results of the Cronbach's alpha and composite reliability values that all measuring items in the research variables have good consistency and accuracy.

**Inner Model Analysis Results**

1. R-Square ($R^2$)

The results of calculating the R2 value in this research can be seen in the table below:

Table 4. R-Square Value ($R^2$)

| | R Square | R Square Adjusted |
|---|---|---|
| Y | 0.667 | 0.655 |

Source: Data processed by researchers (2023)

The table above shows that the $R^2$ value in this study was 0.667 or 66.7%. This shows that the independent variable used in this research has an effect on the dependent variable in the strong category. Meanwhile, the remaining 33.3% was influenced by other factors not examined in this study.

2. $Q^2$ Predictive Relevance ($Q^2$)

This step is carried out to see how good the observation results are as assessed by the $Q^2$ score. when $Q^2$ is greater than 0, it proves that the model has predictive relevance, whereas if the $Q^2$ value is smaller than 0 then the model has less predictive relevance. Following are the $Q^2$ values and their models:

Table 5. Nilai Q-Suare

| | Q-square |
|---|---|
| Y | 0.534 |

Source: Data processed by researchers (2023)

The table shows that the $Q^2$ value is 0.534 > 0.000. So it can be concluded that the latent variable in this study is able to predict the dependent variable.

3. Goodness of Fit (GoF)

GoF testing can be seen from the standardized root mean square residual

(SRMR) value. In Hair et al., (2021) it is explained that when the SRMR value is around 0.08 - 010, then this shows acceptable fit. From the table below, the estimated model results are 0.098, which can be concluded that the model has an acceptable fit.

Table 6. Standardized Root Mean Square Residual (SRMR)

| | Saturated Model | Estimated Model |
|---|---|---|
| SRMR | 0.098 | 0.098 |

Source: Data processed by researchers (2023)

Based on table 6 above, it can be seen that the SRMR value is 0.098, which proves that the model is fit.

4. Path Coefficient Test Results

In this test, the values in the t-table are compared with the t-statistics. If the t-statistic value is greater than the value in the t-table, then the results can show a significant relationship between the research variables.

The path coefficient results can be seen in the table below:

Table 7. Path Coefficient Result

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics | P Values |
|---|---|---|---|---|---|
| X1 -> Y | 0.246 | 0.241 | 0.115 | 2.146 | 0.032 |
| X2 -> Y | 0.288 | 0.294 | 0.122 | 2.351 | 0.019 |
| X3 -> Y | 0.114 | 0.121 | 0.086 | 1.321 | 0.187 |
| X4 -> Y | 0.243 | 0.234 | 0.100 | 2.433 | 0.015 |
| X5 -> Y | 0.024 | 0.034 | 0.115 | 0.213 | 0.832 |

Referring to the table above, it can be concluded that if we look at the level of significance, among the five variables used in this research, there are only three variables that significantly influence generation Z's interest in saving in sharia banks, namely sharia financial literacy, level of religiosity, and digital marketing.

Two more variables, namely the social environment and product quality, have an insignificant influence in influencing interest in saving.

**The Influence of Sharia Financial Literacy on Generation Z's Interest in Saving in Sharia Banks**

Based on the results of this research, it shows that generation Z's sharia financial literacy will have a significant positive effect on their interest in saving money in sharia banks. This can be seen from the t-statistic value of 2,146 > 1.96 and the p-value of 0.032 < 0.05. These results are in line with many previous studies which explain that the higher the level of sharia financial literacy, the greater the public's interest in saving at sharia banks (Rozikin & Sholekhah, 2020; Saptasari & Aji, 2020; Mahgalena; 2021).

Sharia financial literacy must be improved from an early age, especially among teenagers, so that they can manage their finances for the welfare of this world and the hereafter (Triani & Mulyadi, 2019). Through sharia financial literacy, rising young people are expected to be able to provide provisions for proper financial management in the future and support the development of the sharia financial industry in the future.

**The Influence of Religiosity on Generation Z's Interest in Saving in Sharia Banks**

The results of this study state that the level of religiosity has a significant positive influence on Generation Z's interest in saving in Islamic banks. In fact, this variable has the greatest influence compared to other variables. This can be seen from the t-statistic value of 2,351 > 1.96 and the p-value of 0.019 < 0.05.

Many previous studies also had the same results as this study, which stated that religiosity is a variable that significantly influences interest in saving in Islamic banks, as in research conducted by Resty & Hidayat (2021), (Nugraheni & Widyani, 2021), Yasin et al., (2021), Charag et al., (2019), Bananuka et al., (2020)

Saptasari & Aji (2020) dan Suhartanto (2019) stated that religiosity is one of the factors that attracts someone to use sharia banking services, one of which is saving. This proves that someone who has a high level of religiosity will be more interested in saving their money in a sharia bank, and will even be interested in using the service products offered by sharia banks.

**The Influence of the Social Environment on Generation Z's Interest in Saving in Sharia Banks**

Apart from internal factors, in looking at the factors that influence interest in saving at Islamic banks, we also look at external factors, including the social environment, for example, recommendations from parents, the environment, word of mouth, and others. The results of this research prove that the social environment does not have a significant influence on Generation Z's intention to save at Islamic banks. This is proven by the data processing results showing a t-statistic value of 1.321 < 1.96 and a p-value of 0.0187 > 0.05.

This shows that each individual's internal factors have a more significant influence than external factors. This result contrasts previous research conducted by Nugraheni and Widyani (2020), which stated that recommendations from parents and the university environment could influence Muslim students' intention to save in an account at a Sharia bank. This aligns with research by Haryanto and Wulandari (2022), which states that social influence influences a person's intention to save money in a Sharia bank.

**The Influence of Digital Marketing on Generation Z's Interest in Saving in Sharia Banks**

The results of this research state that digital marketing has a significant influence on Generation Z's interest in saving their money in Islamic banks. This can be seen from the t-statistic value of 2,433 > 1.96 and the p-value of 0.015 < 0.05. This digital marketing activity provides product-

related information to a large audience through various media, especially Generation Z, the majority of whom are technology savvy. This research also has similarities with a previous study conducted by Utamy & Widhiastuti (2020), which showed that knowledge, promotions, and Sharia bank facilities positively and significantly affected the decision to save at Sharia banks.

**The Influence of Product Quality on Generation Z's Interest in Saving in Sharia Banks**

Based on the data processing results in this research, the quality of Sharia bank products does not significantly affect Generation Z's interest in saving at Sharia banks. This can be seen from the t-statistic value of $0.213 < 1.96$ and p-value of $0.832 > 0.05$. This research proves that other factors have a greater influence on Generation Z's interest in saving in Sharia banks; for example, the level of religiosity has a more significant influence than the assessment of product quality. Apart from that, this is because the quality of Sharia banking is still continuously being developed to become more sophisticated in facing digitalization.

On the other hand, product quality does not significantly affect Generation Z's interest because they still need comprehensive knowledge regarding various products in financial institutions, and their finance needs still need to be expanded. The quality of this product does not affect their interest in saving at Islamic banks. The results of this study are different from those (Yasin et al., 2021), which actually state that product quality influences the intention to use Sharia banking products, one of which is saving in the form of savings.

## CONCLUSION AND IMPLICATION

The research aims to look at several factors that influence Generation Z's interest in saving their money in Sharia banking by looking at factors originating from internal and external. Based on the data processing results, it is proven that financial literacy and religiosity are the internal factors that significantly influence Generation Z's interest in saving money in Islamic banks. A person's high level of Sharia financial literacy and religiosity will further increase their interest in saving in Sharia banking. Apart from that, the external factor that significantly influences Generation Z's interest in saving at Islamic banks is digital marketing. At the same time, other variables, such as the social environment and product quality, do not have a significant influence.

Policy implications based on the results of this research include the government, banking, and other related parties needing to work together in increasing Sharia financial literacy for the public through various media, increasing studies related to Islamic economics material, as well as strengthening digital marketing by banks as an effort to introduce sharia banking products, especially in Generation Z is the majority today.

## REFERENCES

Amini, Nur Hakimah, Muhammad Muflih, Marwansyah. (2020). The Effect of Religiosity and Financial Considerations on Behavioral Intention toward Islamic Banking Industry: The Mediating Role of Attitude. *Proceedings of the International Seminar of Science and Applied Technology* (ISSAT 2020). Atlantis Press, 552-559. DOI : https://doi.org/10.2991/aer.k.2012 21.091

Bananuka, J., Kasera, M., Najjemba, G. M., Musimenta, D., Ssekiziyivu, B., & Kimuli, S. N. L. (2020). Attitude: mediator of subjective norm, religiosity and intention to adopt Islamic banking. *Journal of Islamic Marketing*, *11*(1), 81-96.

Chalimah, S.N., Martono, S. and Khafid, M. (2019). The saving behavior of public vocational high school students of business and management program in Semarang. *Journal of Economic Education,* 8(1), 22-29.

Chigamba, C. and Fatoki, O. (2011). Factors influencing the choice of commercial banks by university students in South Africa. *International Journal of Business and Management*, 6(6), 66-76.

Desai, Vaibhava. 2019. Digital Marketing: A Review. *Internasional Journal of Trend in Scientific Research and Development (IJTSRD)*, 6(7), 196-200.

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM) (3rd ed.).* Thousand Oaks: Sage

Hamid, R. S., & Anwar, S. M. (2019). *Structural equation modeling (SEM) variant-based: Basic concepts and applications with the SmartPLS 3.2 program.* 8 in business research. PT Indonesian Writers Incubator.

Haryanto, Aris Tri; Wulandari, Fitri. (2023). Social Influence, Religiosity, and Salesperson Service on Saving Intention in Islamic Banks: The Mediating Role of Perceived Ease of Use of Technology. *Shirkah: Journal of Economics and Business*, 7(2), 124-138. doi:https://doi.org/10.22515/shirkah.v7i2.506.

Hasibuan, I. A. (2022). The Effect Of Religiousity On Saving Intention At Sharia Bank In Medan City. *Journal Basic Science and Technology*, 9(2), 71-78. Retrieved from https://iocscience.org/ejournal/index.php/JBST/article/view/1729

Hussein, Ananda Sabil. (2015). *Business and Management Research Teaching Module Using Partial Least Squares (PLS) with smartPLS 3.0.* Department of Management, Faculty of Economics and Business, Universitas Brawijaya.

Irwan, I., & Adam, K. (2015). Partial least squares (PLS) method and its application (Case study: analysis of customer satisfaction with PDAM camming unit services in Bone district). *Teknosains: Media Informasi Sains Dan Teknologi*, 9(1), 53–68.

Ltifi, M., Hikkerova, L., Aliouat, B. and Gharbi, J. (2016). The determinants of the choice of Islamic banks in Tunisia. *International Journal of Bank Marketing*, 34(5), 710-730

Mokhlis, S., Salleh, H.S. and Nik Mat, N.H. (2011). What do young intellectuals look for in a bank? An empirical analysis of attribute importance in retail bank selection. *Journal of Management Research*, 3(2), 1-15.

Nugraheni, P. and Widyani, F.N. (2021). A study of intention to save in Islamic banks: the perspective of Muslim students. *Journal of Islamic Marketing,* 12(8), 1446-1460. https://doi.org/10.1108/JIMA -11-2019-0233

Nugroho, Anton Priyo and Hidayat, Anas and Kusuma, Hadri. (2017). The Influence of Religiosity and Self-Efficacy on the Saving Behavior of the Islamic Banks. *Banks and Bank Systems*, 12(3), 35-47, Available at SSRN: https://ssrn.com/abstract=3129475

Purwana, Dedi., Rahmi, R., & Aditya, Shandy. 2017. Utilization of Digital Marketing for Micro, Small and Medium Enterprises (MSMEs) in Malaka Sari Village, Duren Sawit. *Journal of Civil Society Empowerment (JPMM)*, 1(1), 1-17.

Resty, N. N. H., & Hidayat, A. (2021). Factors Affecting Millennial Customers' Savings Intention in Islamic Banks. *European Journal of Business and Management Research*, 6(4), 116-122.

Saptasari, K., & Aji, H. M. (2020). Factors affecting Muslim non-customers to use Islamic bank: Religiosity, knowledge, and perceived quality.

*Jurnal Ekonomi & Keuangan Islam*, 6(2), 165–180. https://doi.org/10.20885/jeki.vol6.iss2.art7

Saputra, E. (2017). OJK: Indonesia's Financial Inclusion Level is Still Low.

Sari, A. R., Suryadi, D., Ahmadi, R., Santoso, E., & Susilowati, E. M. (2023). Training in Data Processing using Smart PLS Software. *SAFARI: Indonesian Community Service Journal*, 3(3), 172–182.

Sarwono, Jonathan dan Umi Narimawati. (2015). *Creating theses, theses and dissertations with partial least square SEM (PLS-SEM).* Yogyakarta : Andi. 2015

Triani, A., & Mulyadi, H. (2019). Improving Teenagers' Financial Experiences for Better Sharia Financial Literacy. *I-Finance,* 5(1), 9– 22.

Utamy, O., & Widhiastuti, R. (2020). The effect of Sharia bank knowledge, promotion, and facilities on savings decisions at Sharia banks with savings interest as mediation variables. *Journal of Islamic Economics, Management, and Business (JIEMB)*, 1(1), 1-28. https://doi.org/10.21580/jiemb.2019.1.1.3986

www.kemenag.go.id

Yasin, Muaidy., Surati, Lalu Edy Herman. (2021). Does Product Knowledge Affect Intention To Use Islamic Banking? The Role Of Corporate Image, Product Quality, And Religiosity. *Journal Of Southwest Jiaotong University*, 56(2). Doi : 10.35741/Issn.0258-2724.56.2.24