DOI:
10.37715/rme.v9i2.5292

– Submitted : 5 Nov 2024
– Revised : 22 Nov 2024
– Accepted : 8 Sept 2025

Generation Z's Islamic Financial Planning: The Role of Islamic Financial Literacy and Parental Socialization

Nurul Hasanah[1*], Dede Abdul Fatah[2], Rizka Maulina Zulkarnain[3], Jiwa Ning Ayu Ramadhani[4], Putra Rizqy Dwi Saepullah[5]
[1,2,3,4,5] Politeknik Negeri Jakarta, Indonesia

[*]Corresponding author: nurul.hasanah@akuntansi.pnj.ac.id

Abstract

This research is underpinned by the prevailing phenomenon of inadequate financial planning among Generation Z, a demographic that currently dominates the Indonesian population. This vulnerability is manifested in the prevalence of a Fear of Missing Out (FoMO) lifestyle, which prioritizes trend-driven consumption over long-term fiscal security, often leading to excessive debt through online lending platforms and credit defaults. From a Sharia economic perspective, such speculative behavior—driven by fleeting trends rather than intrinsic value—is discouraged. Given Indonesia's Muslim-majority landscape, integrating Sharia principles into financial planning is essential for achieving ethical and sustainable financial stability. Consequently, this study investigates the influence of Islamic financial literacy and parental financial socialization on the adoption of Islamic financial planning within Generation Z. Using Structural Equation Modeling - Partial Least Squares (SEM-PLS), the study evaluates the causal relationships between educational foundations, domestic upbringing, and financial outcomes. The empirical results demonstrate that both Islamic financial literacy and parental financial socialization are significant determinants in shaping Generation Z's financial planning under a Sharia framework.

Keywords: Islamic Financial Literacy; Parental Financial Socialization; Islamic Financial Planning

OPEN ACCESS
e- ISSN 2548-3552
p- ISSN 2548-3536

INTRODUCTION

As the world's fourth most populous nation, Indonesia is currently navigating a pivotal "demographic dividend," with Generation Z emerging as the dominant cohort, comprising 27.94% of the population or 74.93 million individuals (United Nations, 2024; Pasaman, 2024). While their inherent digital fluency and entrepreneurial spirit theoretically position them as catalysts for the Sustainable Development Goals (SDGs), a profound "literacy-action gap" persists (Kulkarni et al., 2022). This disparity is evidenced by an alarming surge in non-performing loans (NPLs), where the 19–34 age group accounts for 56.15% of the nation’s 1.3 trillion rupiah in digital lending defaults (OJK, 2023). This trend underscores a critical deficiency in risk management despite high technological adoption. Consequently, this research argues that mitigating such fiscal vulnerability requires a multidisciplinary strategy—integrating formal education, parental socialization, and Sharia-compliant frameworks—to transition Generation Z from a debt-prone demographic into a foundation for sustainable national stability.

The financial attitudes and behavioral patterns of Generation Z represent a significant departure from preceding cohorts, characterized by a unique paradox between digital fluency and fiscal vulnerability. Empirical evidence suggests that a substantial segment of this demographic has failed to implement robust long-term financial strategies. This deficiency is particularly evident in the lack of preparation for critical life milestones—such as marital obligations, child-rearing, property acquisition, and advanced education—as well as the absence of a resilient emergency fund infrastructure (Susanto et al., 2022). This systemic lack of foresight leaves the generation susceptible to economic volatility and personal financial crises. This fiscal instability is exacerbated by the psychological phenomenon known as Fear of Missing Out (FoMO). Within the context of Generation Z, FoMO serves as a primary driver for impulsive and excessive consumption, as individuals prioritize the maintenance of social status and trend adherence over rational resource allocation. Such behavior is fundamentally antithetical to Islamic economic ethics, which advocate for Iqtisad (moderation) and heightened financial consciousness. According to Maulidizen et al. (2024), the Islamic framework of consumption emphasizes self-regulation (nafs) and the concept of sufficiency, providing a normative foundation to counteract the hedonic treadmill of modern consumerism. By redirecting focus toward ethical consumption, individuals can transition from impulsive spending to a more value-oriented economic existence. Furthermore, the integration of Sharia-based principles—specifically Justice (‘Adl) and Moderation (Wasatiyyah)—offers a strategic mechanism for Generation Z to recalibrate their financial behavior. Istiqomah and Wahyudi (2024) argue that these values facilitate a necessary equilibrium between material acquisition and spiritual well-being, effectively discouraging wasteful expenditure (israf). In the absence of such ethical constraints, the FoMO-driven lifestyle leads to poorly structured spending patterns that frequently exceed disposable income. This imbalance has catalyzed a disturbing reliance on unsecured digital lending platforms (online loans), creating a cycle of debt that compromises future solvency. Consequently, the convergence of psychological pressure and inadequate financial planning not only threatens individual prosperity but also poses broader risks to national economic stability.

The primary objective of financial planning is to enhance societal welfare, a concept articulated in Islamic economics as falah—representing holistic well-being in both material and spiritual dimensions. Achieving sustainable financial stability serves as a critical indicator of this welfare. Within a Sharia framework, financial planning operationalizes falah as a core objective, ensuring that the methodologies employed to attain fiscal goals remain strictly compliant with Islamic jurisprudence. Unlike conventional approaches, Islamic Financial Planning (IFP) maintains a transcendental orientation, balancing worldly prosperity with success in the hereafter. This is manifested through the integration of Islamic Social Finance (ISF) instruments, such as zakat (obligatory charity), infaq (voluntary spending), sadaqah (alms), and waqf (endowments), which foster equitable wealth distribution (Amilahaq et al., 2021). Given Indonesia's status as a Muslim-majority nation, the implementation of IFP is particularly pertinent as it aligns with the socio-religious values of the populace. Academic discourse emphasizes that robust financial literacy is a prerequisite for effective resource management and poverty alleviation. Proficiency in financial concepts enables individuals to navigate complex economic landscapes and mitigate the risk of insolvency. Despite these consensus views in conventional finance, the impact of Islamic Financial Literacy specifically on Financial Planning remains a subject of scholarly debate. While some models suggest a direct causal link, alternative findings by Handayani et al. (2021) indicate that Islamic financial literacy may not exert a direct influence on planning behaviors.

The enhancement of financial literacy is intrinsically linked to the accessibility of high-quality information and a profound conceptual understanding of fiscal mechanisms. Recent empirical data suggests a distinct generational divergence in information-seeking behavior; specifically, Generation Z demonstrates a significant reliance on familial structures for financial guidance. In contrast, Millennials and Generation X exhibit a higher propensity to utilize professional financial services and digital search engines to inform their economic decisions (CFA Institute, 2023). This dependence on the family unit highlights the critical role of intergenerational knowledge transfer in shaping the early financial foundations of the youngest productive cohort. The interplay between available financial information and psychological drivers—most notably the Fear of Missing Out (FoMO)—is posited to exert a substantial influence on the financial behavioral outcomes of Generation Z. This influence manifests in diverse areas, including consumption patterns, liquidity management (saving), and capital allocation (investment). Within this context, the pressures of digital social trends may either compromise or reinforce the efficacy of formal financial knowledge. Consequently, this study seeks to investigate the extent to which Islamic financial literacy and parental financial socialization serve as determinants of Islamic financial planning among Generation Z. By analyzing these variables, the research aims to elucidate whether religious-based knowledge and domestic educational influences can mitigate the adverse effects of modern consumerist trends and foster a more resilient, Sharia-compliant financial framework.

LITERATURE REVIEW

Islamic Financial Planning (IFP)

Islamic financial planning is defined as a systematic process of income and wealth management encompassing the formulation, execution, and continuous evaluation of individual fiscal activities in strict adherence to Sharia principles. The ultimate objective of this framework is the attainment of **falah**, a multidimensional concept of success and well-being that spans both the temporal world and the hereafter (Ahmad and Salleh, 2016). Within this paradigm, wealth is viewed not as absolute ownership but as a divine trust (*amanah*) from Allah SWT, necessitating stewardship that aligns with the ontological guidance provided by the Quran and Hadith (Haris et al., 2021). The operationalization of Sharia-compliant financial planning is fundamentally predicated on the avoidance of prohibited elements, specifically: (1) **Riba:** The prohibition of usury or exploitative interest; (2) **Gharar:** The elimination of excessive uncertainty or ambiguity in contracts; (3) **Maysir:** The exclusion of gambling or speculative activities. Beyond these foundational prohibitions, contemporary Islamic finance has evolved to prioritize the broader objectives of **Maqasid al-Sharia** (The Objectives of Islamic Law). This shift emphasizes that financial planning must transcend mere legal compliance and actively contribute to the preservation of human welfare, social justice, and economic equity (Mahmud et al., 2019). Consequently, modern Sharia financial planning serves as a holistic mechanism for achieving sustainable prosperity by balancing individual capital growth with ethical social responsibility. Islamic financial planning (IFP) holds significant importance as it serves to realize the objectives of Islamic law (maqashid al-shariah) and therefore must be formulated with careful and comprehensive consideration. The Islamic framework for financial planning must be in line with Islamic values and have a clear focus on both success in this life and the next. This process includes key components such as managing cash flow, setting and achieving financial goals, utilizing Sharia-compliant financial instruments, and preparing for estate distribution in accordance with Islamic inheritance laws. In managing cash flow, Islamic financial planning entails (a) allocating zakat as a primary obligation, (b) prioritizing debt repayment when applicable, (c) formulating financial objectives in line with Islamic teachings, (d) investing in instruments that comply with Shariah guidelines, (e) embodying an Islamic way of life by exercising self-restraint and avoiding extravagance, and (f) establishing a reserve or emergency fund to ensure financial resilience (Amilahaq et al., 2021).

Fear of Missing Out (FoMO) and Generation Z

A study revealed that the Fear of Missing Out (FoMO) phenomenon has a significant influence on the psychological condition of Generation Z, especially in the context of social media use. The process of social communication with ideal standard content can create a sense of alienation and anxiety that hurts adolescent mental health. However, the existence of social support from family and friends has proven effective in reducing these negative impacts by presenting a more realistic and healthy perspective on social reality on digital platforms. Therefore, a wiser social media management strategy and increasing digital literacy are important elements in efforts to strengthen the psychological well-being of the younger generation (Zahroh, 2025). The phenomenon of Fear of Missing Out (FoMO) is closely associated with and significantly influences the behavior of Generation Z. The FoMO syndrome, often triggered by excessive engagement with social media, adversely affects life satisfaction and contributes to various psychological issues, including low self-esteem, reduced productivity, heightened anxiety, depression, and other mental health disorders. These conditions may ultimately impair the overall performance of Generation Z, who, in many cases, have integrated FoMO as a part of their daily lifestyle (Fitria et al., 2024).

FoMO and Generation Z's Financial Behavior in an Islamic Perspective

Islam is a comprehensive teaching system, covering all aspects of life, including faith, worship, and muamalah, with a special emphasis on the economic dimension. In the context of economic development, Islamic law plays a fundamental role in shaping individual behavior. Sharia emphasizes the importance of the principle of collaboration (cooperation) and instills moral values such as obedience, honesty, integrity, virtue, tranquility, peace, and social harmony, which overall serve as guidelines in directing human behavior (Ramadhani, 2019). The increasing awareness of the Muslim community in Indonesia regarding the prohibition of usury contained in the bank interest system has become the main foundation for the development of sharia-based financial planning practices. This awareness is what drives the emergence of various sharia financial institutions, such as Islamic banking, sharia insurance, and sharia-based capital markets. Along with these developments, the concept of conventional financial planning has undergone adaptation and transformation into a model that is in accordance with Islamic principles (Amilahaq et al., 2021).

The integration of fundamental Islamic tenets, specifically justice (*‘Adl*) and moderation (*Wasatiyyah*), serves as a critical regulatory mechanism for Generation Z in managing consumption patterns. These values facilitate the mitigation of extravagant expenditure (*israf*) and enable a harmonious equilibrium between material acquisition and spiritual fulfillment (Istiqomah and Wahyudi, 2024). Central to the current fiscal challenges of this demographic is the Fear of Missing Out (FoMO), a psychological driver that frequently precipitates impulsive and hedonistic consumption. Such behavioral tendencies directly contravene the Islamic principles of financial mindfulness and temperance. Conversely, the Islamic ethical framework of consumption—predicated on the concepts of sufficiency (*qana’ah*) and disciplined self-regulation—offers a robust normative foundation for rectifying these maladaptive habits. By aligning consumer behavior with these moral imperatives, individuals are guided toward more sapient, ethical, and sustainable resource management (Maulidizen et al., 2024).

Islamic Financial Literacy

Financial literacy is conceptually defined as a synthesis of cognitive knowledge regarding financial principles and the practical proficiency required to perform critical evaluations, known as financial attitudes. This capacity enables individuals to assess financial instrument data effectively, ultimately translating informed judgment into decisive implementation, or financial behavior. Within the specific paradigm of Islamic economics, Sharia financial literacy represents an individual’s integrated ability—spanning knowledge, attitudinal dispositions, and behavioral outcomes—to manage fiscal resources in strict accordance with Sharia principles (Setiawati et al., 2018). To operationalize this construct, the research utilizes four primary indicators: Money Basics, which covers fundamental fiscal concepts; Islamic Banking, concerning Sharia-compliant credit and deposit mechanisms; Islamic Investment, focusing on ethical capital growth; and Takaful, which addresses Islamic risk management and insurance (Nawi et al., 2018).

Parental Financial Socialization

Financial socialization of parents is a deliberate process in raising children in such a way that the financial knowledge, skills, and attitudes are being transferred, which reflect their behavior and financial results (Sruthiya, 2021). Indicator of Parental Financial Socialization (LeBaron-Black, 2022): (1) Parent Financial Modelling; (2) Parent-Child Financial Discussion; (3) Experiential Learning of Finances.

Islamic Financial Planning

Islamic financial planning is the management of income and wealth that includes the design, implementation, and monitoring of individual financial activities in accordance with sharia principles, intending to achieve falah, namely success in this world and the hereafter (Ahmad and Salleh, 2016). Indicator of Islamic Financial Planning (Shafii et al., 2013): (1) Cash Flow & Liability Management; (2) Islamic Risk Management & Takaful Planning; (3) Islamic Investment Planning; (4) Zakat Administration & Tax Planning; (5) Islamic Retirement Planning; (6) Islamic Estate & Waqf Planning.

HYPOTHESIS DEVELOPMENT

Islamic Financial Literacy and Islamic Financial Planning

The conceptualization of Islamic financial literacy is frequently utilized interchangeably with related constructs, including financial education, technical competence, and cognitive knowledge (Ahmad et al., 2020). According to the regulatory framework established in POJK No. 76/POJK.07/2016, financial literacy is characterized as a multidimensional attribute comprising an individual's skills, knowledge, and insights. These elements collectively influence psychological attitudes and behavioral outcomes, ultimately enhancing the efficacy of decision-making and wealth management to secure long-term prosperity. In the specific context of Islamic economics, the scope of literacy extends beyond conventional metrics to include a foundational understanding of Sharia banking, takaful (Islamic insurance), and Sharia-compliant investments (Nawi et al., 2018). Consequently, Islamic financial literacy is defined as the synthesis of conceptual knowledge and the evaluative capacity—manifested through financial attitudes—to analyze financial instruments for effective decision-making and implementation, known as financial behavior. This definition integrates two primary methodological frameworks: the self-assessment approach and the objective measurement approach. By synthesizing these perspectives, Sharia financial literacy can be formulated as an individual's comprehensive ability to navigate fiscal matters in strict accordance with Islamic jurisprudence, encompassing the alignment of knowledge, attitudes, and behaviors with Sharia principles (Setiawati et al., 2018).

Financial literacy is one of the main concerns because it relates to an individual's understanding of their personal finances, which leads to wise financial decisions. Among Generation Z, fostering a strong financial mindset and enhancing Islamic financial literacy enables them to make well-informed and ethically responsible investment decisions that align with Sharia principles. This aspect not only reflects their religious values but also contributes to the growth and sustainability of Sharia-compliant financial markets in the digital era (Utami et al., 2024). Islamic finance, regulated based on Sharia, determines how to carry out all financial transactions, including buying and selling, spending, saving, and borrowing, as well as investment and financial protection. It is assumed that when someone is literate in Sharia finance, then financial behavior will be adjusted to Sharia principles. Thus, sharia financial literacy plays an important role in determining financial decisions, including in sharia financial planning. Previous research found that Sharia financial literacy significantly influences financial decisions (Osman et al., 2024; Patrisia et al., 2023; Djazuli et al., 2022; Haris et al., 2021). Based on previous studies, the hypothesis proposed in this one is:

H1: Islamic financial literacy has a positive impact on Islamic financial planning

Parental Financial Socialization and Islamic Financial Planning

Financial socialization of parents is a deliberate process in raising children in such a way that the financial knowledge, skills, and attitudes are being transferred, which reflect their behavior and financial results. Parental financial socialization is identified as the primary factor that influences the financial knowledge and behavior of any individual; the effort was made to focus on the younger generation based on the selected variables, namely financial teaching and monitoring, financial budgeting, parental relationship, and parental responsiveness (Sruthiya, 2021). The family serves as the fundamental cornerstone for the dissemination of financial knowledge, acting as the primary socialization agent that shapes an individual’s financial literacy from an early age. In an Islamic context, the family unit is instrumental in fostering an initial understanding of Sharia financial principles, providing a moral and cognitive foundation before individuals interact with broader economic systems (Albeerdy & Gharleghi, 2015). Empirical evidence suggests that frequent, transparent familial discourse regarding fiscal matters is a primary determinant of financial proficiency; specifically, individuals raised in environments with a strong conversation orientation demonstrate superior financial knowledge (Hanson & Olson, 2018). Such two-way communication patterns not only transfer technical skills but also instill self-confidence, which significantly enhances an individual’s psychological capacity for risk tolerance (Patricia et al., 2023). Furthermore, the pedagogical approaches and observable behaviors of parents are positively correlated with the financial education and conduct of the younger generation (Sharif et al., 2020; Khawar & Sarwar, 2021). Within the framework of family communication—which distinguishes between conversation orientation and conformity orientation—effective financial socialization transforms youth into more prudent managers by providing them with the necessary competencies to navigate complex monetary decisions (Bakar & Bakar, 2020). Given that previous studies consistently highlight the significant impact of parental guidance on long-term financial behavior

(Mahapatra et al., 2024; Khalisharani et al., 2022), it is posited that domestic socialization acts as a critical driver for sustainable financial habits. Consequently, based on these theoretical underpinnings, this study proposes that parental financial socialization exerts a substantial influence on the Islamic financial planning of Generation Z.

H2: Parental financial socialization has a positive impact on Islamic financial planning.

METHOD

This study utilizes a descriptive quantitative research design to analyze the influence of Islamic financial literacy and parental financial socialization on financial behavior. The research focuses on Generation Z—individuals born between 1997 and 2012—within the Jabodetabek metropolitan area. To ensure data relevance, a purposive sampling technique was employed, targeting respondents aged 17 to 27 who reside in this region. The selection of Jabodetabek as the research locus is strategically grounded in its status as Indonesia's largest metropolitan hub, providing a significant concentration of the target demographic and a sophisticated financial infrastructure. This environment grants Generation Z greater exposure to various Islamic financial institutions, such as Sharia-compliant banking, insurance, and capital markets, thereby facilitating a more comprehensive analysis of their interaction with Islamic financial products.

The analytical framework is based on Structural Equation Modeling - Partial Least Squares (SEM-PLS) executed via the SmartPLS application. This method allows for a robust multivariate analysis of the causal relationships between constructs. The methodological approach involves an extensive literature review to establish the fundamental principles of PLS-SEM and its application in behavioral research, followed by data analysis through content evaluation to derive rigorous conclusions (Subhaktiyasa, 2024). The operationalization of the model may utilize either primary or secondary data depending on the research objectives and data accessibility (Hair et al., 2021). Within this framework, the structural model (inner model) is utilized to test the hypothesized associations and directional paths between the latent variables: Islamic financial literacy, parental financial socialization, and Islamic financial planning (Hair et al., 2017). By treating these constructs as latent variables measured through specific indicators, the study provides a high-level statistical assessment of how educational and domestic factors shape the financial strategies of the younger generation.

RESULT

Outer Model Analysis

In testing the outer model, data validity and instrument reliability tests are carried out. The validity test reveals that all indicators have an outer loadings value greater than 0.5. The first test shows that several indicators are invalid because their value is less than 0.5. Indicators that did not meet the validity criteria were removed from the research model, including indicators IFL3, IFL4, IFL5, IFL6, IFL8, PFS8, and IFP7. After these indicators are removed from the model, they all become valid. The following are the CFA results in this study:

Table 1. Reliability Test

Variables	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Islamic Financial Literacy	0.658	0.670	0.814	0.594
Islamic Financial Planning	0.823	0.828	0.872	0.533
Parental Financial Socialization	0.895	0.898	0.918	0.615

Apart from looking at outer loadings, validity testing can also be seen from the Average Variance Extracted (AVE) value. Based on the test results, the AVE values for the variables of sharia financial literacy, parental financial socialization, and sharia financial planning are 0.594, 0.615, and 0.533. This shows that the AVE value for all latent variables contained in the research model is greater than 0.5. The lowest AVE value is 0.533 for the Sharia financial planning variable.

Table 2. CFA Results

Variables	Item	Outer Loading
Islamic Financial Literacy	IFL1	0.805
	IFL2	0.810
	IFL7	0.692
Islamic Financial Planning	IFP1	0.833
	IFP2	0.720
	IFP3	0.718
	IFP4	0.743
	IFP5	0.646
	IFP6	0.706
Parental Financial Socialization	PFS1	0.808
	PFS2	0.761
	PFS3	0.781
	PFS4	0.842
	PFS5	0.800
	PFS6	0.789
	PFS7	0.698

Apart from the validity test, the outer model analysis also carried out a reliability test by looking at the composite reliability value of the indicator block that measures the latent variable. The composite reliability results will show a satisfactory value if the value is > 0.7. Based on the test results (Table 3), the composite reliability value for all latent variables in the research is greater than 0.7. The composite reliability values of the variables Sharia financial literacy, parental financial socialization, and Sharia financial planning are 0.814, 0.918, and 0.872, respectively. This shows that all latents in the estimated model meet the composite reliability criteria.

Inner Model Analysis

Based on hypothesis testing, the following results were obtained:

Table 3. Path Coefficient

Hypothesis	T Statistics (|O/STDEV|)	P Values
Islamic Financial Literacy -> Islamic Financial Planning	6.483	0.000
Parental Financial Socialization -> Islamic Financial Planning	6.427	0.000

Based on the results of the direct effect significance test analysis, the following results were obtained: (1) The influence of sharia financial literacy on Generation Z's sharia financial planning (Hypothesis 1). Based on Table 1, there is a direct and significant influence of Sharia financial literacy on Generation Z's Sharia financial planning. P-values ranging from 0.000 to 0.05 indicate this. The path coefficient value shows a positive relationship, so the influence of Sharia financial literacy on Generation Z's Sharia financial planning is unidirectional. This means that the higher the level of sharia financial literacy, the better the sharia financial planning carried out by Generation Z. (2) The influence of parental financial socialization on Generation Z's sharia financial planning (Hypothesis 2). Based on Table 1, there is a direct influence of parental financial socialization on Generation Z's Sharia financial planning. P-values ranging from 0.000 to 0.05 indicate this. The path coefficient value shows a positive relationship, so the influence of parental financial socialization on Generation Z's sharia financial planning is unidirectional. This means that the more often parents provide socialization regarding finances, the better Sharia financial planning will be carried out by Generation Z.

Based on the tests that have been carried out, the research model can be described in Figure 1 below:

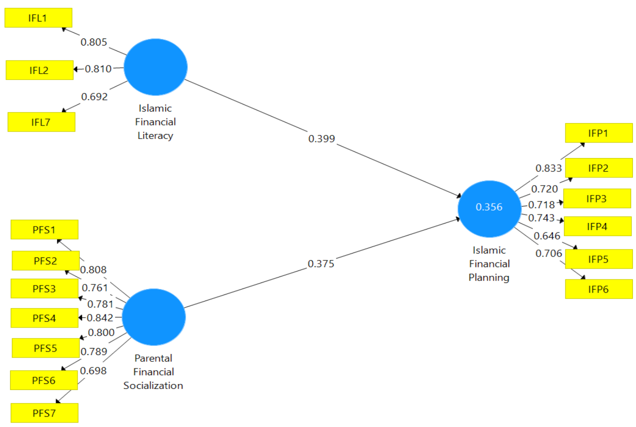

Figure 1. Research Model

DISCUSSION

Figure 1 shows that there is a direct influence of Sharia financial literacy and parental financial socialization on Generation Z's Sharia financial planning. The following is a discussion of the research results:

The Influence of Islamic Financial Literacy on Generation Z's Islamic Financial Planning

The test results revealed that Sharia financial literacy positively impacts Generation Z's financial planning. Financial literacy plays a crucial role in people's ability to manage their finances effectively, particularly in understanding financial concepts. With adequate knowledge and sound financial skills, people can develop positive financial attitudes and behaviors. This ultimately increases self-confidence in managing and utilizing financial products, resulting in a more informed and financially savvy society (Fitriah et al., 2021). Effective financial planning requires an understanding of investments. With adequate knowledge of investments, individuals can allocate funds more optimally, not only to meet consumption needs but also to generate future returns. It has been proven that individuals with a good level of financial literacy tend to make investment decisions more easily. The investment decision-making process involves selecting and determining the best option from a variety of available investment alternatives. Therefore, students interested in investing are expected to understand the benefits and risks of each investment product so they can optimally achieve their investment goals (Saputro & Lestari, 2019). The results of the study show that the higher the level of Islamic financial literacy, the better the Islamic financial planning carried out by Generation Z. When someone is sharia financially literate, so will their financial behavior be in accordance with sharia principles. Islamic financial literacy helps individuals understand the basic principles of Islamic finance, such as the prohibition of riba (interest), gharar (uncertainty), and maysir (speculation). This understanding is important to ensure that financial transactions and investments comply with Islamic law. With a satisfactory level of Islamic financial literacy, people will be more careful in sharing their income and using it through Islamic principles, such as paying zakat, not living extravagantly and excessively, and being more rational in financial management. People who have a sufficient level of understanding of Islamic finance will be better at planning their personal financial management.

Muslims need Islamic financial literacy to make sound financial decisions. However, it is not easy for Muslims in general to understand all aspects of Islamic finance. There are many important aspects emphasized in Islamic finance, such as debt management, balanced spending, savings, investment according to Sharia, and wealth extraction. Muslims are encouraged to acquire knowledge and literacy related to important aspects of Islamic finance to improve their financial behavior. Someone who has good Sharia financial knowledge will be more careful to avoid types of muamalah that are not permitted and will be more careful in making financial decisions. Informed financial understanding supports ethical financial behavior, allowing individuals to manage expenditures wisely and choose investments that align with their financial goals and values. Among Generation Z, fostering a strong financial mindset and enhancing Islamic financial literacy enables them to make well-informed and ethically responsible investment decisions that align with Sharia principles. This not only reflects their religious values but also contributes to the growth and sustainability of Sharia-compliant financial markets in the digital era (Utami et al., 2024). This is in line with research by Osman et al. (2024); Patrisia et al. (2023); Djazuli et al. (2022); and Haris et al. (2021), who found that financial literacy can influence a person's financial decisions.

Based on the results of this study, which state that Islamic financial literacy has a positive effect on Islamic financial planning, it can be a consideration for Islamic financial institutions when making policies, including increasing their active role in community education, especially for Generation Z. Islamic banks, Islamic insurance, and Islamic fintech can collaborate with students and the school community to organize digital and interactive Islamic financial training. Programs that can be implemented include financial bootcamps, challenge savings, digital seminars, Islamic budgeting competitions, or social media-based educational content that can increase Generation Z involvement. In addition, Islamic financial institutions can develop Islamic financial applications that are friendly to Generation Z. There needs to be innovation in mobile applications for Islamic financial planning that combine educational features, financial tracking, zakat reminders, inheritance simulations, and halal investments. Given that Generation Z is very active on digital platforms, Sharia economic institutions or influencers can utilize this media for educational campaigns about Sharia money management. Content that can be provided, such as financial tips, zakat education, halal financial product reviews, and success stories of saving plans, will be more easily accepted by Generation Z.

The Influence of Parental Financial Socialization on Generation Z Islamic Financial Planning

Based on the test results, it was found that parental financial socialization has a positive role in Generation Z's financial planning. This shows that the higher the socialization regarding finances by parents, the better Islamic financial planning will be carried out by Generation Z. The presence of financial information from the family can influence Generation Z's financial behavior in terms of spending, saving, and investing. Generation Z is more dependent on family for financial information compared to other generations. Parental financial socialization can influence youth to be more financially literate, transform youth to change into more prudent financial managers, and provide them with competencies to manage their money management (Bakar & Bakar, 2020).

The teaching and behavior of both parents, as well as the socialization of family finances, directly show a very positive relationship with the financial education and financial behavior of Generation Z. This is in line with research by Hanson and Olson (2018), which states that communication and conversations within the family regarding financial issues provide important knowledge and are a factor to consider in designing financial literacy programs. The family is recognized as the primary socialization agent in shaping an individual's financial literacy, particularly in fostering an early understanding of Islamic financial principles (Albeerdy and Gharleghi, 2015). A person who grows up in a family with a strong conversation orientation has better financial knowledge. Of course, this will encourage Generation Z to have good financial planning. The result is also in line with research by Angga and Wiryakusuma

(2023), which said that parental financial education directly affects financial attitudes. This shows that a good financial attitude is achieved through good financial education of parents in the family.

The empirical results of this study unequivocally affirm a significant positive effect of parental financial socialization on an individual's adoption of Sharia-based financial planning. This finding necessitates the strengthening of parents' roles as primary Islamic finance educators from an early age. Active parental involvement is crucial for instilling core principles, such as the importance of saving, avoiding riba (usury), fulfilling zakat obligations, and practicing a frugal and halal lifestyle. Value transmission must occur through concrete role modeling and integration into daily habits. To support this effort, governmental or relevant institutions should develop practical modules and guidebooks to help parents effectively communicate complex concepts like zakat, inheritance, halal investment, and the philosophy of wasatiyyah (moderation). Furthermore, given Generation Z's high engagement with digital media, parents must creatively utilize these platforms—recommending credible educational content (videos, podcasts, and social media accounts) and discussing Islamic finance—to ensure the effectiveness of socialization in the digital age.

CONCLUSIONS

Based on the results of the tests and analysis carried out, it can be concluded that the variables of Islamic financial literacy and parental financial socialization have a significant influence on Islamic financial planning among Generation Z. This indicates that understanding the concept of Islamic finance and the family's role in financial socialization is crucial for shaping a person's financial attitude, particularly among Generation Z. The conclusion is that a higher level of Islamic financial literacy leads to better Islamic financial planning. Islamic banks, Islamic insurance, and Islamic fintech can collaborate with students and the school community to organize digital and interactive Islamic financial training. Programs that can be implemented include financial bootcamps, challenge savings, digital seminars, Islamic budgeting competitions, or social media-based educational content that can increase Generation Z involvement. In addition, Islamic financial institutions can develop Islamic financial applications that are friendly to Generation Z.

Beyond Islamic financial literacy, parental financial socialization also has an impact on individuals' approaches to Islamic financial planning. Generation Z will carry out better Islamic financial planning the more their parents socialize them about finances. The teaching and behavior of both parents, as well as family financial socialization, directly show a very positive relationship with the financial education and financial behavior of Generation Z. The findings regarding the influence of financial socialization from parents indicate the importance of active parental involvement in providing a basic understanding of Islamic financial values to children from an early age. The government or private institutions can also develop modules or practical guidebooks on Islamic financial planning in the family. Given that Generation Z is very familiar with digital media, parents need to utilize these platforms to convey Islamic financial values creatively.

LIMITATION

This study acknowledges several methodological limitations that provide avenues for subsequent academic inquiry. Primarily, the restricted scope of the sample population, focusing exclusively on Generation Z respondents, limits the generalizability of the findings; therefore, future research is advised to incorporate or compare results with data from other generational cohorts to provide a more holistic understanding of financial planning behaviors. Furthermore, the geographical confinement of the sample to the Greater Jakarta area (Jabodetabek) introduces potential sampling bias, as the findings may not accurately represent the diverse socio-cultural characteristics and financial contexts of Generation Z nationwide or in different international settings. Methodologically, while the current sample targets Generation Z, which exhibits inherent variations in technological literacy, the study did not thoroughly examine the influence of critical external variables, such as social media exposure and the rapid advancements in financial technology (FinTech), on Islamic financial planning outcomes. Accordingly, future researchers are strongly recommended to expand the sample's geographical coverage nationally or globally, utilize mixed-methods approaches for richer data collection, and rigorously investigate the mediating and moderating roles of these rapidly evolving external factors.

REFERENCES

Ahmad, G.N., Widyastuti, U., Susanti, S. & Mukhibad, H. (2020). Determinants of the Islamic financial literacy. Accounting, pp. 961–966, 2020, doi: 10.5267/j.ac.2020.7.024.

Ahmed, H., & Salleh, H. (2016). Inclusive Islamic Financial Planning: A Conceptual Framework. International Journal of Islamic and Middle Eastern Finance and Management, 9(2), 170-189. https://doi.org/10.1108/imefm-01-2015-0006

Albeerdy, M.I. & Gharleghi, B. (2015). Determinants of the Financial Literacy among College Students in Malaysia. International Journal of Business Administration. 6(3). 6874-6874. doi: 10.5430/ijba.v6n3p15.

Amilahaq, F., Wijayanti, P., & Pertiwi, B. C. (2022). Managing Islamic Financial Planning Inclusion in Indonesia. Tazkia Islamic Finance and Business Review, 15(1). https://doi.org/10.30993/tifbr.v15i1.243

Angga, T., Wiryakusuma, I.G.B.Y. (2023). Buliding Financial Behaviour Through Parental Financial Teaching. International Journal of Economics, Business and Accounting Research (IJEBAR), vol. 7, no. 4, pp. 1688-1694.

Bakar, M. Z. A., & Bakar, S. A. (2020). Parental Financial Socialisation: Pathways to Positive Financial Behaviour. International Journal of Academic Research in Business and Social Sciences, 10(6), 54– 62.

CFA Institute. (2023). Gen Z and Investing: Social Media, Crypto, FOMO, and Family.

Djazuli A., Aziz, M. R. Ab, Candera, M., & Yanti, D. (2022). Determinants of Financial Decisions of Millennial Generation in Islamic Banking: Does Islamic Branding Matter?. Journal of Accounting and Investment, vol. 24, no. 1, pp. 220–236, Dec. 2022, doi: 10.18196/jai.v24i1.16451.

Fitria, N., Hadromi, F., & Ekmarinda, E. Y. (2024). FOMO and its effect on Gen Z Performance. Proceedings of the Conference on SDGs Transformation through the Creative Economy: Encouraging Innovation and Sustainability (TCEEIS 2023) (pp. 142–146). Atlantis Press. https://doi.org/10.2991/978-94-6463-346-7_27

Fitriah, W. (2021). FINANCIAL LITERACY AND FINANCIAL INCLUSION ON THE FINANCIAL PLANNING OF THE CITY OF PALEMBANG. Review of Management and Entrepreneurship, 5(1), 19–32. https://doi.org/10.37715/rme.v5i1.1629

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)(2nd ed.). SAGE Publications Inc.

Hair, Joseph F., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., &Ray, S. (2021). Partial least squares structural equation modeling with R. Springer.

Handayani, L., Ainun, B., & Fahmi, M.Y. (2021). The Effect of Islamic Financial Literacy and Financial Inclusion toward Financial Planning among Millennial: Financial Behaviour as an Intervening Variable. International Journal of Emerging Issues in Islamic Studies, vol. 1, no. 2, pp. 60–67, Dec. 2021, doi: 10.31098/ijeiis.v1i2.762.

Hanson, T.A., and Olson, P.M. (2018). Financial Literacy and Family Communication Patterns. Journal of Behavioral and Experimental Finance, vol. 19, pp. 64–71, Sep. 2018, doi: 10.1016/j.jbef.2018.05.001.

Haris, D.A.M., Possumah B. T., & Fatah, D.A. (2021). Big Five Personality As Moderating The Effect Of Islamic Financial Planning," International Journal of Educational Research & Social Sciences, vol. 2, no. 2, pp. 283–298, Apr. 2021, doi: 10.51601/ijersc.v2i2.71.

Istiqomah, E.F., & Wahyudi, A. (2024). The Impact of FOMO on The Hedonism Attitude of Generation Z In Islamic Consumption Behavior. Al-Amwal: Jurnal Ekonomi Dan Perbankan Syari'ah, Vol 16 (2) doi: 10.70095/alamwal.v%vi%i.18680

Khalisharani, H., Sabri, M.F., Johan, I.R., Burhan, N.A.S., Yusof, A.N.M. (2022). The Influence of Parental Financial Socialization and Financial Literacy on University Student's Financial Behaviour. International Journal of Economics and Management, vol. 16, no. 3, pp 351-364, DOI: http://doi.org/10.47836/ijeam.16.3.06.

Khawar S. and Sarwar, A. (2021). Financial literacy and financial behavior with the mediating effect of family financial socialization in the financial institutions of Lahore, Pakistan. Future Business Journal, vol. 7, no. 1, p. 27, Dec. 2021, doi: 10.1186/s43093-021-00064-x.

Kulkarni, N., Risbud, M., & Gautam, O. (2022). A Study Of The Awareness Of The Financial Planning And Implementation Amongst Generation Z. Journal of Positive School Psychology, vol. 6, no. 6, pp. 2420–2427, 2022.

LeBaron-Black, A. B., Curran, M. A., Hill, E. J., Freeh, M. E., Toomey, R. B., & Speirs, K. E. (2022). Parent Financial Socialization Scale: Development and preliminary validation. Journal of Family Psychology, 36(6), 943–953. https://doi.org/10.1037/fam0000927

Mahapatra, M.S., Xiao, J.J., Mishra, R.K. and Meng, K. (2024), "Parental financial socialization and life satisfaction of college students: mediation and moderation analyses", Young Consumers, Vol. 25 No. 1, pp. 65-83. https://doi.org/10.1108/YC-10-2022-1626

Mahmud, M.S., Foziah, H., Ghazali, P.L., Rashid, N. M. N., & Yazid, A.S. (2019). Islamic Wealth Management Towards Retirement Planning Among Private Sector Workforce in Malaysia. International Journal of Recent Technology and Engineering (IJRTE), vol. 8, no. 3, pp. 7100–7103, Sep. 2019, doi: 10.35940/ijrte.C5841.098319.

Maulidizen, A. et.al. (2024). The Fear Of Missing Out (Fomo) And Islamic Consumer Ethics: Examining Gen Z Behavior Through A Sharia and Moral Lens. Madania Jurnal Kajian Keislaman, vol. 28 No. 2, pp. 307-318, doi: http://dx.doi.org/10.29300/madania.v28i2.5902

Nawi, F.A., Daud, W.N., Ghazali, P.L., Yazid, A.S., & Shamsuddin, Z. (2018). Islamic Financial Literacy: A Conceptualization and Proposed Measurement. International Journal of Academic Research in Business and Social Sciences, vol. 8, no. 12, Dec. 2018, doi: 10.6007/IJARBSS/v8-i12/5061.

Osman, I., Syed Alwi, S.F., Rehman, M.A., Muda, R., Hassan, F., Hassan, R. and Abdullah, H. (2024), "The dilemma of millennial Muslims towards financial management: an Islamic financial literacy perspective", Journal of Islamic Marketing, Vol. 15 No. 1, pp. 59-78. https://doi.org/10.1108/JIMA-09-2021-0283

Otoritas Jasa Keuangan. (2016). POJK Nomor 76/POJK.07/2016.

Otoritas Jasa Keuangan. (2023). Statistik P2P Lending Periode Desember 2023.

Pasaman, K.A. (2024). INDONESIA GEN Z REPORT 2024. IDN Research Institute.

Patrisia, D., Abror, A., Dastgir, S., & Rahayu, R. (2023). Generation Z's Financial Behaviour: The Role of Islamic Financial Literacy. ISRA International Journal of Islamic Finance, vol. 15, no. 2, pp. 20–37, May 2023, doi: 10.55188/ijif.v15i2.540.

Putu Gede Subhaktiyasa. (2024). PLS-SEM for Multivariate Analysis: A Practical Guide to Educational Research using SmartPLS. EduLine: Journal of Education and Learning Innovation, 4(3), 353-365. https://doi.org/10.35877/454RI.eduline2861

Ramadhani, Herry. (2019). Islamic Behavior Finance: Literature Review. AFEBI Islamic Finance and Economic Review. 4. 132. 10.47312/aifer.v4i02.460.

Saputro, R. E. H., & Lestari, D. (2019). EFFECT OF FINANCIAL LITERACY AND RISK PERCEPTION ON STUDENT INVESTMENT DECISIONS IN JAKARTA. Review of Management and Entrepreneurship, 3(2), 107–132. https://doi.org/10.37715/rme.v3i2.1237

Setiawati, R., Nidar, S.R., Anwar, M., Masyita, D. (2018). Islamic Financial Literacy: Construct Process and Validity. Academy of Strategic Management Journal, vol. 17, no. 4.

Shafii, Z., Yusoff Z.M., Noh S.M. (2013). Islamic Financial Planning and Wealth Management. IBFIM.

Sharif, S.P., Ahadzadeh, A. S. & Turner, J.J. (2020). Gender Differences in Financial Literacy and Financial Behaviour Among Young Adults: The Role of Parents and Information Seeking. J Fam Econ Issues, vol. 41, no. 4, pp. 672–690, Dec. 2020, doi: 10.1007/s10834-020-09674-z.

Shruthiya, V.N., (2021). Role of Parental Financial Socialisation on Financial Literacy among Youth. Pacific Business Review International, vol.14, no. 3.

Susanto, Y. B., Setiawan, J. & Ariyanto, S. (2022). Financial Planning for Millennials and Gen-Z (Study of Millennials and Gen-Z Financial Behavior). Ultima Management : Jurnal Ilmu Manajemen, pp. 156–168, Jun. 2022, doi: 10.31937/manajemen.v14i1.2533.

United Nation, 2024. Countries in the world by population (2024). https://www.worldometers.info/world-population/population-by-country/#google_vignette

Utami, E. M., Yuliani, R., & Fatihat, G. G. (2024). Financial Literacy as Mediates of Financial Attitude And Intention To Invest in Shariah. ADPEBI International Journal of Business and Social Science, 4(2), 120–130. https://doi.org/10.54099/aijbs.v4i2.1096

Zahroh, E. A. (2025). Social Construction of FOMO (Fear of Missing Out) for Psychological Well-Being among Generation Z. Journal of Psychological Insight, 1(1), 36–46. https://doi.org/10.61987/jpi.v1i1.674