

## Religious vs. Practical Motivation: The Dominant Factor in Generation Z's Adoption of Sharia Fintech

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### ABSTRACT

Despite the growing use of Sharia-compliant financial technology (fintech) services, their adoption rate among the younger generation remains relatively low, especially in Islamic universities with a strong religious culture. This study aims to analyze the dominant factors influencing the adoption of Sharia-compliant financial technology (fintech) services among students at the Faculty of Islamic Economics and Business (FEBI) at UIN Ponorogo, specifically the relationship between religious motivation and practical considerations. Using a qualitative approach with phenomenological methods, data were obtained through in-depth interviews with students who have understood or used Sharia-compliant fintech services. The results show that although students have a high level of religious awareness, practical aspects such as ease of use, cost efficiency, and service features remain primary considerations in their decisions. Furthermore, pragmatic motives were identified, with students using Sharia-compliant fintech for rational reasons such as service integration and system convenience. Partial and selective adoption also emerged as common patterns, reflecting that loyalty to Sharia-compliant fintech has not yet been fully established. The implications of this study underscore the importance of enhancing service quality, providing Sharia-compliant financial literacy education, and ensuring transparency in Sharia compliance to promote wider adoption among Generation Z Muslims.

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## 1. INTRODUCTION

In recent years, the Sharia-compliant financial technology (fintech) industry in Indonesia has experienced significant growth. This growth is supported by regulatory factors, technological innovation, and increasing public awareness of Sharia-compliant financial services (Hiyanti et al., 2020). This industry presents substantial market potential and opportunities for financial inclusion (Hasyim et al., 2024).

A recent study highlighted the potential of Islamic fintech among Generation Z in Indonesia. Gen Z has shown a high level of interest in Islamic fintech, with several key influencing factors, including privacy and facility conditions (Takidah & Susanti, 2024), as well as aspects of usability and ease of use (Oktavendi, 2020).

As part of Generation Z, students from the Faculty of Islamic Economics and Business (FEBI) at UIN Ponorogo are a potential user group for Islamic fintech. However, the primary factors driving their decision to use these services remain a matter of debate. Are they driven by religious awareness to adhere to Sharia principles, or are they more concerned with practical aspects such as ease of transactions and financial benefits? The context of FEBI UIN Ponorogo is interesting to study due to its Islamic economics-based academic environment and strong Islamic boarding school culture. Therefore, this study aims to analyze whether religious factors outweigh practical factors in their decision to adopt Islamic fintech.

From the perspective of consumer behavior theory, individual decisions to choose Islamic financial services are influenced by a combination of trust factors, conformity with Islamic values, and the financial benefits offered (Syh et al., 2024). Planned Behavior Theory (Ajzen, 1991) explains that individual behavior is influenced by intentions formed from three main factors: attitudes toward the behavior, subjective norms, and perceived behavioral control. In the context of Islamic fintech, attitudes toward Islamic services, the influence of the Muslim community, and ease of access can influence adoption by FEBI students. Furthermore, the concept of religiosity in Islamic economics plays an important role in understanding the decisions of FEBI students.

Religiosity is a person's attitude to life based on the values they believe in (Mardiana et al., 2021). Previous research has shown that the higher a person's religiosity, the more likely they are to choose Sharia-compliant financial services. However, in the digital era, convenience and accessibility are often the primary considerations in using fintech services, especially among the younger generation (Marpaung et al., 2021).

Besides religiosity, ease of transactions and cost efficiency also play a role in the decision to use Sharia-compliant fintech. Generation Z is known to prioritize speed and convenience when accessing financial services. Therefore, while Sharia compliance is a key consideration, practical factors such as user-friendly app features, low fees, and integration with other digital platforms remain crucial.

Students at the Faculty of Economics and Business (FEBI) at UIN Ponorogo, most of whom have Islamic boarding school (santri) backgrounds, are expected to be highly inclined to choose Sharia-compliant financial services over conventional fintech. However, to what extent this choice is truly based on religious motivation or is more influenced by practical aspects remains an interesting question to investigate.

One of the relevant theoretical frameworks in understanding the adoption of Islamic fintech among the younger generation is the Technology Acceptance Model (TAM) developed by Davis (Marangunić & Granić, 2015). According to the TAM theory, a person's decision to accept and use technology is heavily influenced by two main factors: perceived usefulness and perceived ease of use. In this context, students are more likely to adopt Sharia-compliant fintech services if they perceive the services provide tangible benefits to their financial lives and are easy to access and use. Therefore, while

religiosity remains an important determinant, practical ease and usefulness remain the primary considerations influencing Sharia-compliant fintech adoption among students.

Therefore, this study aims to identify the dominant factors influencing the adoption of Islamic fintech among students of the Faculty of Economics and Business (FEBI) at UIN Ponorogo. Is their motivation more influenced by religious awareness or driven by the ease and efficiency of using fintech services? The answer to this question will not only provide a deeper understanding of Islamic financial behavior among the younger generation but also provide recommendations for the Islamic fintech industry to increase user appeal and trust.

## 2. METHODS

This study used a qualitative approach with a phenomenological method to understand the experiences and motivations of FEBI UIN Ponorogo students in adopting sharia fintech services. Data were collected through in-depth interviews with purposively selected students, with the main criteria being a good understanding of Sharia fintech or having used Sharia fintech-based services. Interviews were conducted semi-structured to allow respondents to explain their views in depth. This study also utilizes a literature review analyzing journal articles, books, and relevant research reports. Data were analyzed using a thematic method with an interpretative approach, grouping findings based on emerging themes. Source triangulation was applied to ensure data validity by comparing interview results with available literature. Thus, this study is expected to provide new insights into the dominant factors in Sharia fintech adoption among FEBI UIN Ponorogo students.

## 3. FINDINGS AND DISCUSSION

### 3.1. Trends in the use of Islamic fintech by Generation Z

Based on interviews with students at the Faculty of Economics and Business (FEBI) at UIN Ponorogo, it was found that the majority of students have not yet used Sharia-compliant fintech services. One of the main reasons is the limited options available for Sharia-compliant fintech services. Despite this, students understand the concept of Sharia-compliant fintech and its functions. The finding that the majority of students at the Faculty of Economics and Business at UIN Ponorogo have not yet used Sharia-compliant fintech services indicates a gap between awareness and actual adoption. They understand the concept and the importance of using Sharia-compliant financial services; however, they have not yet implemented them in their daily financial activities.

This phenomenon aligns with the Technology Acceptance Model (TAM) proposed by Davis (Marangunić & Granić, 2015), which suggests that technology adoption is influenced not only by perceived usefulness and perceived ease of use, but also by external factors, including access and service availability. In this context, Islamic fintech has not demonstrated sufficient usefulness and ease of use to encourage wider adoption among university students, as it has not yet fully addressed their financial needs.

On the other hand, students who have used Sharia-compliant fintech reported their primary reason for choosing these services as a form of religious obedience. They also expressed appreciation for providers offering Sharia-compliant services and support for the development of Sharia finance. This indicates that their adoption of technology is guided by their values. In this regard, ideological

factors and a commitment to Islamic values constitute the primary reasons for using Sharia-compliant fintech.

Some respondents also stated that Sharia-compliant fintech services are better. This suggests that when service and system quality improve, even initially skeptical users can be persuaded to switch. This confirms research findings by [link], which found that service quality is a key determinant of trust and loyalty among Sharia-compliant fintech users (Rofiqo et al., 2021).

### 3.2. Analysis of religiosity factors

Religiosity plays a significant role in shaping user attitudes and preferences toward Islamic financial services, including in the context of fintech. However, interview findings indicate that religiosity does not fully encourage students to adopt Islamic fintech. Even among those with strong religious understanding, doubts arose regarding the Sharia-compliant nature of the services offered.

This doubt reflects the trust issue often encountered in the context of digital Islamic finance adoption. According to the Theory of Planned Behavior (Ajzen, 1991). A person's intention to take action, in this case using Sharia-compliant fintech, is influenced by three factors: attitude toward the behavior, subjective norms, and perceived behavioral control. If someone normatively supports the use of Sharia-compliant fintech (due to religious values) but experiences uncertainty about the legality or legitimacy of the product offered, adoption intentions may be hindered.

Several students stated that they were not entirely sure whether all features and practices in Sharia-compliant fintech were truly compliant with Sharia law. For example, there were still doubts about whether Sharia-compliant digital payment services were truly usury-free, or whether digital contracts complied with the fatwa issued by the National Sharia Council (DSN-MUI). This issue was exacerbated by a lack of adequate literacy regarding the contract structure in fintech and the limited information provided by service providers to the public.

This finding is consistent with prior studies highlighting that trust in Sharia compliance plays a crucial role in determining Muslim consumers' willingness to adopt Sharia-based fintech (Rabbani, 2023). In the presence of doubts regarding business processes, Sharia governance, or institutional integrity, consumers are more likely to rely on conventional services, which are perceived as more transparent and familiar.

In the context of FEBI students living in a religious environment, Islamic values are an important consideration. However, when they cannot convincingly validate these values in existing fintech services, they encounter a situation where their perceived values conflict with their perceptions of the services' practices.

### 3.3. Practical factor analysis

Interviews revealed that practical factors were the most dominant factor influencing the decisions of UIN Ponorogo FEBI students to use fintech services. The majority of students prioritized practical functions and benefits over religious aspects. One of the main reasons for this was that the services they utilize, such as fund transfers and digital payments, do not significantly differentiate between conventional and Sharia fintech services under Islamic law. They do not yet require features like interest-based loans or investments that could significantly impact Sharia compliance.

Furthermore, some students also believe that conventional fintech systems are stronger than Sharia-compliant fintech. This is understandable, given that conventional fintech has developed earlier and offers more innovations in technology and service coverage. This finding is consistent with prior research indicating that limited technological infrastructure and lower feature competitiveness, compared to conventional fintech, constitute major barriers to the adoption of Sharia-compliant fintech (Yudhira, 2021).

Another equally important aspect is the cost and efficiency of services. Students, as a digital generation, are highly sensitive to efficiency, whether in terms of time, ease of navigation, or transaction costs. They stated they prefer services that offer low fees, no administration fees, and fast systems. In many cases, Islamic fintech hasn't been able to compete head-to-head in this regard. There aren't many promotional features, cashback, or loyalty programs that can attract Gen Z to switch.

In this context, we can refer to the concept of perceived value in consumer behavior. According to Zeithaml, perceived value is the consumer's perception of the benefits obtained compared to the sacrifices that must be made (Zeithaml, 1988). As fintech users, students assess the value of a service holistically, take into account ease of use, speed, cost, and other functional benefits. If Sharia-compliant fintechs don't offer competitive value, they will be deemed less attractive, even if they carry a Sharia-compliant label.

These findings are also consistent with prior studies indicating that Indonesian students, particularly Generation Z, demonstrate a strong interest in Islamic fintech driven by practical benefits, not merely religious considerations. Factors influencing adoption include lower transaction costs, features that support daily needs, and ease of access (Takidah & Susanti, 2024).

### **3.4. Analysis of pragmatic motives in the adoption of Sharia fintech**

In addition to religiosity and practicality, interview results indicate pragmatic motives in students' decisions to use Sharia-compliant fintech. These motives are rooted in rational considerations regarding the convenience, accessibility, and financial efficiency offered by fintech services. Students who choose Sharia-compliant fintech often do so not only for religious reasons but also because the services offer practical benefits such as lower transaction fees, useful additional features, or integration with other platforms they use.

Pragmatic motives are also evident in fintech service usage patterns. Some students use Sharia-compliant fintech only for specific transactions, while for other needs, they continue to use conventional fintech platforms, which offer more comprehensive features or more attractive incentives. This usage pattern demonstrates that, despite a preference for the Sharia-compliant system, financial decisions are still influenced by rational considerations and economic benefits.

The fact that students are willing to use Sharia-compliant services if they are perceived as economically beneficial also demonstrates that religious motives can synergize with pragmatic ones. In this context, the adoption of Sharia-compliant fintech is influenced not only by value adherence but also by efficiency and functional superiority. When Sharia-compliant services are able to deliver both, user preference is likely to increase organically, rather than being driven merely by normative considerations.

Other research found that in adopting sharia services, young consumers' motivations depend not only on religiosity, but also on perceived product quality and service quality (Azhar Muttaqin,

2017). In other words, ideological commitment must be followed by real and measurable service performance.

### 3.5. Implications for the development of Islamic fintech

The findings of this study offer several important implications for Sharia-compliant fintech service providers seeking to enhance user adoption and loyalty, particularly among younger generations, including students of the Faculty of Economics and Business (FEBI) at UIN Ponorogo. One fundamental step that must be taken immediately is to expand the scope of services. Currently, most students perceive Sharia-compliant fintech services as limited to basic transactions such as digital payments or fund transfers. They hope that Sharia-compliant fintech can develop into more comprehensive financial solutions, encompassing Sharia-compliant investment features, mudharabah-based savings, and transparent halal financing. By addressing various aspects of financial needs, Sharia-compliant fintech can emerge as a competitive alternative, not merely a complement to conventional services.

Trust in Sharia compliance is also a key concern for service providers. As revealed in interviews, students still have doubts about the extent to which a service truly complies with Islamic principles. This doubt can be addressed if Sharia fintech service providers actively and openly disclose information about the contracts used, the oversight process by the Sharia Supervisory Board (DPS), and the fatwas used as reference in their operations. Transparency in this regard will not only increase trust but also strengthen the ethical standing of the service itself.

In addition to religious considerations, technical aspects also significantly influence students' decisions when choosing fintech services. Therefore, Sharia-compliant fintech providers are required to strengthen their technological infrastructure. Fast, stable, secure, and user-friendly services are prerequisites in today's competitive digital era. Students, as part of the digital-native generation, are highly sensitive to technical glitches, complex application interfaces, or slow systems. Therefore, prioritizing investment in the development of advanced systems and technologies is essential for Sharia-compliant fintech companies to build user trust and enhance convenience.

The economic appeal of a service also cannot be ignored. Many students reported being attracted to conventional fintech services due to incentives such as cashback, waived transaction fees, and special discounts. This suggests that promotional strategies emphasizing economic benefits are essential to the Sharia-compliant fintech approach. Offering loyalty programs, transaction-based incentives, or simplified fees can be strategic moves to strengthen the appeal of Sharia-compliant platforms without compromising the essence of their underlying principles.

Ultimately, Islamic financial education and literacy are crucial foundations for shaping the mindsets and preferences of young consumers. It has been found that although university students understand the basic concepts of Islamic finance, many lack in-depth knowledge of contract structures, the fundamental differences between Islamic and conventional systems, and the long-term benefits of Islamic finance. Islamic fintech providers should collaborate with educational institutions, student communities, and digital platforms to organize educational activities such as seminars, training, informative social media content, and the publication of popular literature. This will not only raise awareness but also build a loyal consumer base that understands the values they espouse.

By combining a value-based and performance-based approach, Islamic fintech can position itself not only as a faith-based financial alternative but also as a functionally superior, technologically

competitive, and inclusive solution for reaching the financial needs of the younger generation of Muslims. In the long term, this approach will ensure the sustainability and relevance of the Islamic fintech industry amidst the dynamically changing digital financial landscape.

With improvements in these aspects, it is hoped that the adoption rate of Islamic fintech will increase among Generation Z, especially students who already have a basic understanding of Islamic finance but still prioritize practical aspects in their financial decisions.

#### 4. CONCLUSION

It can be concluded that practical aspects still outweigh religiosity in the adoption of Sharia fintech by students at the Faculty of Economics and Business (FEBI) of UIN Ponorogo. Although they intend to switch to Sharia services as a form of religious obedience and appreciation for Islamic finance, they still consider the convenience and efficiency of the service. This suggests that decisions regarding the choice of financial services are influenced not only by spiritual considerations but also by economic rationality.

However, if Islamic fintech can improve service quality, expand feature coverage, and provide certainty regarding sharia-compliant aspects, the potential for migration from conventional fintech to Islamic fintech will increase. The main factors that need improvement are a stronger system infrastructure and more aggressive promotion to compete with conventional services.

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