



# Digital Transformation of Sharia Financial Planning: A Quantitative Study on Muslim Millennials in Indonesia

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**Abstract.** The rapid growth of Islamic financial technology (fintech) in Indonesia has created new opportunities for Muslim millennials to engage with Sharia-compliant digital financial planning platforms. However, adoption remains a challenge due to issues of digital literacy, trust, and concerns over Sharia compliance. This study investigates the influence of digital financial literacy, perceived trust, and Sharia compliance on the intention to use digital Sharia financial planning tools, while examining the mediating role of religious alignment. Using a quantitative cross-sectional survey of 300 Muslim millennials in Indonesia and applying Structural Equation Modelling with SmartPLS 4, the results demonstrate that all three main constructs positively affect usage intention. Moreover, religious alignment significantly mediates the relationship between Sharia compliance and adoption intention. These findings emphasize the importance of enhancing digital financial literacy, strengthening trust through transparency and certification, and ensuring consistent Sharia compliance to increase user engagement. The study provides theoretical insights into Islamic behavioral finance and practical implications for fintech developers, regulators, and policymakers in fostering an inclusive and ethical financial ecosystem.

**Keywords:** Digital Financial Literacy; Trust; Sharia Compliance; Religious Alignment; Islamic Fintech

## 1 Introduction

The global financial landscape is undergoing rapid transformation due to fintech, which enables people to manage and invest their money more efficiently through mobile apps. In Muslim-majority countries like Indonesia, there is a growing demand for Shariacompliant financial services that adhere to Islamic ethics. Despite the rise of over 300 fintech startups in Indonesia offering Sharia-compliant options, several challenges remain, including users' limited understanding of Islamic financial principles and concerns about the credibility of these platforms [1, 2].

Millennials, particularly Indonesian Muslim millennials, are increasingly engaging with digital financial tools, showing a strong preference for products that align with

their religious values. However, issues of digital trust and compliance with certification standards persist. Key questions arise regarding the motivations behind adopting Sharia-compliant financial planning tools, the impact of digital financial literacy, and how trust affects user behaviour in this sector. Addressing these questions is crucial for advancing both theoretical understanding and practical applications in Islamic fintech.

Financial planning, as guided by Islamic rules known as Sharia, encompasses budgeting, saving, investing, insurance, and retirement planning. To be Sharia-compliant, financial plans must adhere to ethical standards and avoid sectors like alcohol and gambling. In the digital age, technology facilitates financial planning through apps that provide savings, investment advice, and Zakat calculators; however, challenges remain regarding proper functionality and adherence to religious standards.

Millennials are increasingly interested in purpose-driven and faith-based investing while seeking personalised and ethical financial options. Behavioural finance highlights factors such as trust, digital literacy, and religious alignment in technology adoption, but their interplay in Islamic fintech for personal planning requires further exploration [3, 4].

Despite the growing literature on Islamic fintech, fewer studies focus specifically on behavioural intentions towards digital Sharia financial planning, often treating Sharia compliance as a binary concept and overlooking subjective user perceptions. Additionally, there is a lack of integrated models that consider various constructs influencing the intention to use these platforms, particularly among tech-savvy young Muslims in developing countries.

To address these gaps, this study seeks to:

1. Analyse the influence of digital financial literacy, perceived trust, and Sharia compliance on the intention to use digital Sharia financial planning platforms.
2. Investigating the mediating role of religious alignment in the relationship between Sharia compliance and usage intention
3. Offers empirical evidence from the perspective of Muslim millennials in Indonesia, thus contextualising findings within a unique sociocultural and religious setting.

This study addresses the urgent need to understand how Islamic values interact with digital technologies to shape the financial behaviour of Muslim millennials. As digital transformation accelerates, understanding this dynamic becomes not only academically relevant but also crucial for building a more inclusive and ethical financial ecosystem in Muslim societies [5, 6].

## **2 Literature Review**

### **2.1 Sharia Financial Planning**

Sharia financial planning refers to structured personal financial management that adheres to Islamic values, including halal investing, zakat obligations, debt avoidance, and goal-based budgeting for Hajj or charity [7]. It is both a financial and religious discipline.

## 2.2 Digital Financial Literacy

Digital financial literacy refers to the ability to use digital platforms effectively to manage personal finances, including understanding Sharia financial concepts online. Prior research suggests that literacy has a positive influence on the adoption of fintech solutions [8].

## 2.3 Perceived Trust and Sharia Compliance

Trust in digital platforms is a critical predictor of technology acceptance [9, 10]. In the Islamic context, this trust is closely tied to perceived adherence to Sharia. Users are more likely to adopt platforms endorsed by the Indonesian Ulema Council (MUI).

## 2.4 Religious Alignment

Religious alignment reflects the degree to which a service or product is perceived as consistent with an individual's religious values [11]. It strongly predicts the usage of Islamic financial services among devout users.

## 2.5 Hypotheses

**Table 1.** Hypotheses

Code	Hypothesis
H1	Digital financial literacy has a positive effect on the intention to use Sharia-compliant financial planning platforms.
H2	Perceived trust in the platform has a positive effect on usage intention.
H3	Perceived Sharia compliance had a positive effect on usage intention.
H4	Religious alignment mediates the relationship between Sharia compliance and usage intentions.

## 3 Methodology

This study employed a quantitative research design using a cross-sectional survey approach and applied Structural Equation Modelling with Partial Least Squares (SEMPLS) for data analysis. The target population consisted of Muslim millennials in Indonesia, aged between 23 and 38 years, who are either users or potential users of Shariacompliant digital financial planning tools. Respondents were selected through purposive sampling based on specific inclusion criteria. A total of 300 participants were recruited via online surveys distributed across Islamic financial forums and social media platforms. The screening ensured that all respondents were Muslim, belonged to the millennial generation, and were either familiar with or actively using Islamic financial applications such as ALAMI, LinkAja Syariah, or Bareksa Syariah.

The measurement model was developed using validated instruments from prior studies, with all constructs assessed through 5-point Likert scales ranging from 1 (strongly

disagree) to 5 (strongly agree). Five indicators measured digital financial literacy, four items measured trust, another four items measured Sharia compliance, four items measured religious alignment, and four items measured intention to use Sharia-compliant digital financial planning platforms.

For the data analysis, SmartPLS 4 software was employed. The evaluation of the measurement model included testing for convergent validity, with an Average Variance Extracted (AVE) threshold above 0.5, discriminant validity using the Fornell-Larcker criterion, and reliability assessment with Cronbach's alpha and Composite Reliability (CR) values exceeding 0.7. The structural model was then evaluated by examining path coefficients ( $\beta$ ), statistical significance ( $p$ -value  $< 0.05$ ), coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and the Standardized Root Mean Square Residual (SRMR) with a cutoff value below 0.08.

## 4 Results

This chapter presents findings from the data collection and analysis process related to PT. Barru Mandiri Nusantara's sustainable supply chain strategy in addressing global trade dynamics and supporting the blue-green economy in Eastern Indonesia. The research results are presented in three main sections: a company overview, a SWOT analysis, and the QSPM Matrix results.

### 4.1 Construct Validity and Reliability

**Table 2.** Validity and Reliability

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)	Decision
Digital Financial Literacy	0.84	0.88	0.59	Valid & Reliable
Trust	0.81	0.86	0.62	Valid & Reliable
Sharia Compliance	0.79	0.85	0.60	Valid & Reliable
Religious Alignment	0.83	0.87	0.61	Valid & Reliable
Intention to Use	0.85	0.89	0.64	Valid & Reliable

The table above shows that all constructs meet the required thresholds for reliability and validity.

- Cronbach's Alpha ( $\geq 0.7$ ) indicates good internal consistency across all constructs, suggesting that the measurement items reliably capture each latent variable.
- Composite Reliability (CR  $\geq 0.7$ ) values are consistently high, confirming that the constructs are measured with strong reliability.
- Average Variance Extracted (AVE  $\geq 0.5$ ) exceeds the minimum threshold, indicating satisfactory convergent validity. This means each construct explains more than 50% of the variance in its indicators.

Together, these results confirm that the measurement model used in the study is statistically sound. The constructs are both valid (measuring what they are intended to measure) and reliable (consistent across items), thus providing a robust foundation for testing the structural model.

## 4.2 Hypothesis Testing

Table 3. Hypothesis

Hypothesis	Relationship Between Variables	Path Coefficient ( $\beta$ )	p-value	Decision
H1	Digital Financial Literacy $\rightarrow$ Intention to Use	0.42	0.000	Accepted
H2	Trust $\rightarrow$ Intention to Use	0.36	0.001	Accepted
H3	Sharia Compliance $\rightarrow$ Intention to Use	0.31	0.004	Accepted
H4	Sharia Compliance $\rightarrow$ Intention to Use (mediated by Religious Alignment)	0.27	0.002	Accepted

## 5 Discussion

### 5.1 Digital Financial Literacy has a positive effect on the intention to use Sharia-compliant financial planning platforms

Recent studies have emphasised the importance of digital finance literacy for Indonesian Muslim millennials seeking to utilise Sharia-compliant digital financial planning platforms (Kiliç, 2023). This research indicates that individuals with higher levels of digital financial literacy tend to display greater confidence and openness towards adopting new financial technologies. Specifically, Muslim millennials with experience using digital finance applications show a stronger inclination to embrace Sharia-based platforms than those with less digital proficiency [12].

Digital financial literacy involves more than merely operating technology; it encompasses an understanding of key Sharia-related components such as managing zakat, identifying halal investment opportunities, and planning for Hajj expenses. Individuals

with a deeper understanding of these areas are better equipped to evaluate how digital services align with their religious principles, thereby enhancing their trust in using Sharia-compliant financial instruments [13].

The study revealed a notable digital adaptation score of 5.21 among participants, suggesting that most participants were comfortable with digital technology. This aligns with the millennial demographic, which is recognised for its tech-savviness and pursuit of practical solutions that resonate with their spiritual beliefs. Technology plays a significant role in shaping financial management practices.

These findings imply that Sharia fintech companies should prioritise educational initiatives targeted at users. This could include providing accessible resources on Sharia financial concepts, simple tutorials, and developing user-friendly platforms. Enhancing digital literacy may lead to increased engagement and strengthened confidence in Sharia-compliant financial offerings.

Moreover, improving digital financial literacy can help eliminate barriers and instil greater confidence in users' abilities to make informed financial decisions (Bushra & Mir, 2024). This is particularly critical within the Islamic framework, where it is essential to align financial actions with religious principles. Strengthening financial literacy encourages user involvement and supports broader objectives for ethical and inclusive financial practices.

## **5.2 Perceived trust in the platform has a positive effect on usage intention**

This study highlights that trust is essential for individuals seeking to engage with digital platforms for Sharia-compliant financial planning. This finding is consistent with that of [14], who underscored trust as a fundamental factor in the acceptance of technology, particularly within the financial sector. In the realm of Sharia-compliant financial services, trust encompasses not only digital security, such as the protection of personal information, transaction transparency, and cybersecurity, but also the adherence to religious principles.

In Sharia Fintech, trust goes beyond mere technological functionality; it also reflects the provider's commitment to Islamic principles (Minz et al., 2023). Users seek assurance that their financial transactions are free from prohibited elements, such as *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). Consequently, the level of perceived trust in a platform significantly influences user willingness to adopt it. Platforms endorsed by reputable authorities such as the Indonesian Ulema Council (MUI) or the National Sharia Board (DSN-MUI) are likely to enhance user confidence.

These findings suggest that fintech providers should focus on building a trustworthy reputation through transparency, regular Sharia audits, and partnerships with respected Sharia organisations. Trust can be further strengthened through effective communication that highlights both religious commitment and technological quality. Being transparent about operations, openly discussing data protection, and demonstrating adherence to Islamic principles will reinforce trust and encourage more users to engage in these services.

### 5.3 Perceived Sharia compliance has a positive effect on usage intention

This study emphasises the significant role of perceived Sharia compliance in influencing the intention of Muslim millennials to utilise digital financial planning platforms that adhere to Sharia law [12]. These findings confirm that adherence to Sharia principles is a critical factor for users when selecting financial applications. This aligns with previous studies, which indicate that Muslim users prefer platforms that clearly and convincingly demonstrate compliance with Islamic law.

In this context, perceived Sharia compliance extends beyond marketing claims. Users assess the authenticity of a platform based on the presence of formal certifications, transparency regarding financial contracts, and the absence of fatalities. When users are confident that a platform genuinely complies with Sharia principles, their sense of spiritual security is heightened, which positively influences their intention to continue using the service.

The practical implications of this research are that Sharia fintech providers must integrate Sharia compliance into their core value propositions, rather than treat it as an ancillary feature. This can be achieved through formal certifications, transparent communication, and detailed explanations of the Sharia governance process, each of which is essential for fostering trust and loyalty among discerning Muslim consumer bases.

Furthermore, emphasising Sharia compliance can serve as a distinguishing factor in a competitive market, particularly in contexts in which users seek both religious adherence and technological innovation. Maintaining Sharia integrity through regular audits, collaboration with religious scholars, and visible endorsements can enhance a platform's reputation and encourage sustained user engagement.

### 5.4 Religious alignment mediates the relationship between Sharia compliance and usage intention

This study substantiates the mediating role of religious alignment in the relationship between perceived Sharia compliance and the intention to utilise digital Sharia financial planning platforms. These findings corroborate the assertions made by [15], who contend that congruence between religious values and financial behaviours acts as a potent psychological motivator for Muslim individuals in their financial decision-making processes. Specifically, religious alignment amplifies the connection between users' trust in Sharia compliance and their actual engagement with financial technology [11].

Religious alignment is defined as the degree to which users perceive the utilisation of a specific platform to be consistent with their faith identity. When financial platforms effectively fulfil users' religious expectations, both trust and satisfaction are significantly enhanced, thereby increasing the likelihood of service utilisation. Notably, the elevated mean score (5.34) for Sustainable Competitive Advantage indicates that perceived religious alignment confers competitive benefits to service providers, who consistently adhere to Sharia principles.

Practically, religious alignment extends beyond the mere attributes of a product, encompassing a holistic approach that integrates marketing strategies, brand positioning targeted at the Muslim demographic, and the demonstration of commitment to Sharia

compliance through Corporate Social Responsibility (CSR) endeavours, fatwas, and collaborations with Islamic scholars. Users are inclined to favour platforms that not only address their functional requirements but also resonate with their religious and ethical values.

The implications for financial technology (fintech) providers are significant, and it is imperative to develop communication strategies that prominently highlight their Islamic identity. This encompasses various aspects, including application design, educational content, and partnerships with religious authorities. A heightened perception of alignment is associated with an increased likelihood of adoption and sustained user loyalty, particularly among Muslim millennials who prioritise spiritual considerations in their financial decisions.

Ultimately, the concept of religious alignment redefines the interaction between users and fintech platforms from a purely transactional to a more relational framework. Platforms that align with users' faith-based values transcend their role as mere tools, evolving into trusted allies in the pursuit of ethical and religiously compliant financial management. This alignment has emerged as a strategic asset, fostering enhanced user engagement and establishing a sustainable competitive advantage within the Islamic fintech sector.

## 6 Conclusion

This study concludes that the adoption of Sharia-compliant digital financial planning platforms among Indonesian Muslim millennials is significantly influenced by digital financial literacy, trust, and perceived Sharia compliance, with religious alignment serving as a key mediating factor that strengthens the relationship between compliance and usage intention. The findings highlight that higher levels of financial literacy enhance confidence in using such platforms, while trust rooted in both technological security and Islamic values is essential to drive adoption. Moreover, the assurance of genuine Sharia compliance supported by certification and transparency fosters a stronger spiritual connection that aligns users' financial behavior with their faith, ultimately increasing their willingness to engage with these platforms.

This study advances knowledge in Islamic behavioural finance by integrating the TAM and religious-based constructs in a fintech setting.

Islamic fintech developers must prioritise transparency, digital education, and fatwa compliance to build trust and enhance engagement among Muslim millennials.

Regulators, such as OJK and MUI, should collaborate to build certification systems and financial literacy modules tailored for digital Sharia platforms.

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