


# Chapter 7

## Digital Financial Knowledge and Behavior of Generation Z in Indonesia: A Survey of Islamic FinTech Literacy Toward Digital Financial Inclusion

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### ABSTRACT

*The Indonesian Population Census 2020 reported that the majority of Indonesia's population is in the productive age group and dominated by Generation Z (27.94%). As the generation that currently dominates the population, Generation Z's characteristics are important to learn. They are the future. Generation Z has the potency to accelerate Indonesia's financial inclusion through digitalization because they are adaptable to technology. Responding to the survey results which put Generation Z in Indonesia in the first rank for the levels of happiness and religious awareness, a survey was conducted for Islamic financial technology literacy to find out how they face challenges as well as opportunities in digital era to be in line with religious values and may accelerate financial inclusion. The great potential of Generation Z for technology as well as religious awareness in turn will support financial inclusion towards inclusive development in Indonesia. Hence, this chapter will describe the survey results of digital financial knowledge and behavior of Generation Z in Indonesia.*

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## **BACKGROUND**

Referring to the Indonesian Population Census 2020 (SP2020), Statistics Indonesia agency [BPS] (2021a, 2021b), Cabinet Secretariat of the Republic of Indonesia [Setkab] (2021), Junida (2021), Idris (2021), Sulaeman (2021), Priyanka (2021) reported that Indonesia's population in September 2020 was 270.20 million people. Since Indonesia held its first SP1961, the population has continued to increase. In the last ten years, SP2020 reported an increase in the population of 32.56 million people or an average of 3.26 million every year with the growth rate was 1.25% per year. Based on age groups, the majority of Indonesia's population is in the productive age group and most dominated by Generation Z with the proportions of 27.94% or equivalent to 74.93 million people.

Referring to Zemke, Raines, and Filipczak (2000), Oblinger and Oblinger (Eds.) (2005), Martin and Tulgan (2006), Lancaster and Stillman (2009), Broadbent, Gougoulis, Lui, Pota, and Simons (2017), Fry and Parker (2018), Francis and Hoefel (2018), McCrindle and Fell (2019), Karashchuk, Mayorova, Nikishin, and Kornilova (2020), Catalyst (2021), and Musari (2021), there are several versions in determining the name of generation and the age range. Likewise, for Generation Z, some people call it Net Generation, Post Millennial Generation, Gen Zers, Digital Generation, iGeneration, Homeland Generation or Homelander. Regarding the age range, McCrindle Research Center addresses Generation Z was born in 1995-2009. McKinsey & Company and The Varkey Foundation remark who was born in 1995-2010. Statistics Canada (2012) denoted that Generation Z was born in 1993-2011. In line with Catalyst, Pew Research Center (Dimock, 2019) believe 1996 is a meaningful cutoff between Millennials and Generation Z for a number of reasons, including key political, economic and social factors that define the Millennial generation's formative years. BPS (2021a, 2021b) also introduced Generation Z as those were born in 1997-2012.

As the generation that currently dominates the Indonesian population, Generation Z's characters are important to be learned. They are the future of Indonesia although not all of them currently at the productive ages. In the next six years, all Generation Z will become the productive age population. At least in the next five to ten years, they will be the leaders in their respected communities. BPS (2021a) also ensured that this is an opportunity as well as a challenge for Indonesia, because this generation will determine Indonesia's future development. Dealing with the demographic changes, McCrindle and Fell (2019) warned that Generation Z has become one of the biggest issues facing employers today, specifically on how to recruit, retain and manage them.

No doubt, the number of Generation Z in Indonesia has the potential to accelerate Indonesia's financial inclusion through digitalization. Generation Z is known very adaptable to technology. The Washington Post (2016) and McKinsey & Company (Francis and Hoefel, 2018) mentioned that Generation Z as the 'true digital natives'. They have never known a world without smartphones, tablets, and social media. Thus, for this reason, it is important to ensure that Generation Z has an adequate level of digital financial literacy so that their future financial decisions become productive decisions and help accelerate the resolving of financial inclusion problems in the society.

Furthermore, Broadbent et al (2017) reported the survey results in 20 countries by Varkey Foundation that Generation Z in Indonesia reaches the highest levels of happiness with a net score of 90% and believed that commitment to religion as playing a bigger role in contributing to their overall happiness until 93%. Responding to the survey results which put Generation Z in Indonesia in the first rank for the highest levels of happiness and religious awareness, this chapter did a survey for Islamic financial technology (fintech) literacy toward digital financial inclusion of Generation Z in Indonesia. In order to

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