



## **The Transformation of Islamic Investment Among Generation Z through Digital Platforms**

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### **ABSTRACT**

This study aims to analyze the investment behavior of Generation Z (Gen Z) in the Islamic capital market in the digital era. Gen Z is known as a generation that is highly adaptive to technology and concerned with ethical values and sustainability. In the context of investment, a growing interest among Gen Z in sharia-based investment products has emerged, such as Islamic stocks, Islamic mutual funds, and retail sukuk. This study employs a qualitative method with a descriptive approach, where data were obtained through in-depth interviews, observation of Islamic investment community activities on social media, and a literature review from secondary sources such as reports from OJK, BEL, and academic publications. The findings indicate that the primary motivations of Gen Z in investing in the Islamic capital market are the desire to earn halal profits in accordance with Islamic principles, as well as trust in the transparency of the Islamic financial system. However, challenges remain, including low Islamic financial literacy and the influence of social media trends that encourage short-term investment behavior. This study concludes that Gen Z holds significant potential to strengthen the Islamic capital market in Indonesia through the utilization of digital technology, sharia-based financial education, and increased awareness of sustainable Islamic investment values.

**Keywords:** *Gen Z, Islamic capital market, Islamic investment, qualitative method, financial literacy*

### **INTRODUCTION**

The rapid development of digital technology over the past decade has brought about significant changes across many aspects of life, including the financial and investment sectors. The emergence of sharia-based digital platforms has become one of the key innovations in Indonesia's capital market industry. This transformation not only facilitates public access to halal investment instruments, but also introduces new ways of understanding,

managing, and engaging in economic activities grounded in Islamic values. Amid this progress, Generation Z individuals born between 1997 and 2012 has emerged as the segment that most rapidly adapts to the digitalization of investment.

Generation Z is known as a generation that is highly comfortable with technology, critically minded toward information, and possesses a strong social consciousness. Their mindset differs from previous generations in that they are more open to innovation and prefer systems that are fast, practical, and transparent. In the context of Islamic finance, they have demonstrated growing interest in ethics-based and Islamic-value investments. The availability of various sharia investment applications such as Bibit Syariah, Bareksa Syariah, Ajaib Syariah, and Pluang Syariah has served as a key catalyst driving youth participation in the halal capital market.

Data from the Financial Services Authority (OJK) shows a significant increase in the number of young investors under the age of 30, particularly in the category of retail sharia investors. This phenomenon reflects a shift in investment behavior among younger generations who are not merely pursuing financial gain, but also prioritizing the principles of sustainability, ethics, and halal compliance. This is consistent with the spirit of Islamic economics, which emphasizes the balance between worldly profit and spiritual blessings. However, behind this positive trend lie challenges that demand attention, particularly regarding the low level of Islamic financial literacy and the tendency to invest based on social media trends or momentary impulses.

Many members of Generation Z are drawn to investing due to the ease of technology, yet do not fully understand the foundational contract principles within the Islamic financial system, such as *mudharabah*, *musyarakah*, *murabahah*, and *ijarah*. This condition can give rise to the risk of deviating from sharia principles if not accompanied by adequate education. Furthermore, the overwhelming exposure to social media makes some young people susceptible to provocative or misleading content, particularly from influencers who lack competency in Islamic finance. On the other hand, the presence of digital Islamic capital markets also opens up significant opportunities for strengthening the Muslim economy and promoting Islamic value-based financial inclusion. Through a digital approach, access to halal investment products becomes broader and more inclusive, even reaching communities outside major cities. It is therefore essential to understand how the investment behavior of Generation Z is formed, what motivates them to participate, and how they interpret sharia principles within the context of investment digitalization.

This study aims to analyze the transformation of Generation Z's investment behavior in the Islamic capital market through digital platforms, with a focus on the factors influencing investment decisions, perceptions of Islamic values, and the challenges encountered in the process. Through this understanding, it is hoped that a comprehensive picture can be obtained regarding the role of young people in strengthening the Islamic investment ecosystem in the digital era, as well as strategic recommendations for financial institutions, regulators, and educational institutions in improving Islamic financial literacy and participation in Indonesia.

## **METHOD**

This study employs a descriptive approach with a qualitative method to gain an in-depth understanding of the transformation in Generation Z's investment behavior in the Islamic capital market through digital platforms. The research subjects are individuals aged 18–25 years who actively invest on sharia platforms such as Bibit Syariah, Bareksa Syariah, and Ajaib Syariah, with informants selected through purposive sampling. Data were collected through in-depth interviews, observation of digital activities within Islamic investment communities, and document review from official sources such as OJK, BEI, and DSN-MUI. Data analysis was conducted through the stages of reduction, presentation, and conclusion drawing using the Miles and Huberman model. Data validity was maintained through source and method triangulation, as well as member checking with respondents to ensure the accuracy of research findings.

## **RESULTS AND DISCUSSION**

The research findings indicate that the development of digital technology has had a profound influence on the investment behavior patterns of Generation Z in the Islamic capital market. This generation has grown up in an era of rapid digitalization, making technological adaptation a fundamental part of their lifestyle, including in financial activities. This phenomenon is reflected in the increasing participation of young people in app-based investing, particularly in platforms grounded in sharia principles.

Based on interviews with a number of respondents who actively use investment platforms such as Bibit Syariah, Bareksa Syariah, and Ajaib Syariah, it was found that their primary reasons for being attracted to investing are ease of access, appealing application interfaces, and the assurance of compliance with Islamic principles. Respondents expressed that they feel safer and more comfortable investing through platforms that display the "syariah" label, as these

are considered free from elements of riba and speculation. The digitalization process also makes it easier for them to conduct transactions, monitor their portfolios, and obtain the latest information about sharia investment products in real time.

This digital transformation has not only affected the way people invest, but has also changed the characteristics and motivations of young people in making financial decisions. Generation Z demonstrates a tendency to seek investments that are not only materially profitable, but also provide spiritual blessings and halal certainty. They view investment activities as a form of self-empowerment and a spiritual responsibility in the management of wealth. Islamic values such as honesty, transparency, and social responsibility serve as important foundations in determining investment choices.

Some respondents even noted that they feel calmer and more confident when investing in Islamic mutual funds or stocks listed in the Sharia Securities List (Daftar Efek Syariah/DES). This is consistent with the concept of Islamic economic ethics, which emphasizes the balance between worldly gain and spiritual values. As such, Islamic investment for Generation Z is not merely a financial instrument, but also a medium for actualizing religious values in modern life.

Although religious motivation is one of the primary drivers, the study also uncovered serious challenges in terms of Islamic financial literacy. The majority of respondents admitted to having limited understanding of the basic principles of the Islamic financial system. Many are familiar with the term "halal investment," but do not understand the fundamental differences between sharia and conventional products, particularly regarding contract mechanisms, fund management, and risk. As a result, many of them make investment decisions based solely on social media recommendations or financial influencers without conducting thorough analysis.

This phenomenon underscores that in the digital era, social media plays a dual role as both an educational medium and a potential source of misinformation. Platforms such as TikTok, Instagram, and YouTube have become the primary spaces for Gen Z to seek information about Islamic investment. Educational content presented in a relaxed style with visually appealing formats easily captures their interest, yet such content frequently leads to misconceptions. For example, some influencers equate all digital investments with "Islamic investment" without explaining the aspect of compliance with DSN-MUI fatwas.

Furthermore, the observations also revealed that impulsive investment behavior has become a trend among Gen Z. The drive to follow trends and the

desire to project a digital presence lead some of them to invest without careful deliberation. Some respondents even mentioned that they purchased investment products simply because they were going viral on social media. This indicates that ease of digital access does not always translate into higher quality financial decision-making.

Nevertheless, the study also uncovered a strong positive dimension. Generation Z displays great enthusiasm and curiosity about Islamic finance. They show a strong interest in learning more, especially when material is presented in formats suited to their character, such as short videos, interactive webinars, or digital communities. Online communities such as Telegram forums, Discord servers, and educational groups on Instagram also contribute to informally enhancing Islamic investment literacy.

From the data triangulation results, it was found that the role of financial institutions and regulators is crucial in supporting this transformation of investment behavior. The Financial Services Authority (OJK), together with the Indonesian Stock Exchange (BEI), has developed an Online Trading Syariah (SOTS) system that ensures all transactions are free from practices contrary to Islamic principles. In addition, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) plays a role in issuing fatwas and providing sharia compliance guidelines for digital investment products. These collaborative efforts create an increasingly trusted and inclusive Islamic capital market ecosystem for younger generations.

Overall, this study demonstrates that the transformation of Generation Z's investment behavior in the Islamic capital market is the result of synergy between technological advancement, religious motivation, and growing digital literacy awareness. Generation Z is no longer merely a passive consumer, but actively participates in building an ethical and sustainable investment culture. Although challenges related to literacy and sharia consistency remain, the direction of this change points to positive prospects for the future of the Islamic capital market in Indonesia.

It can therefore be concluded that digitalization has opened up significant opportunities for Generation Z to engage actively and responsibly in Islamic economic activities. However, the success of this transformation depends on enhanced sharia financial education, oversight of digital information, and the strategic role of financial institutions and regulators in maintaining the integrity and sustainability of the Islamic investment ecosystem in the digital era.

The research findings indicate that Generation Z's investment behavior in the Islamic capital market has undergone significant transformation in line with digital technological advancement and growing religious awareness among

youth. The findings are grouped into three main dimensions: changes in investment access patterns, religious motivation and values, and challenges related to Islamic financial literacy and consistency.

### **1. Changes in Access Patterns and Participation**

The study found that digitalization through platforms such as Bibit Syariah, Ajaib Syariah, and Bareksa Syariah has lowered entry barriers for novice investors. Generation Z finds it easier and more comfortable to invest because the entire process from registration and product selection to portfolio monitoring can be done online through an application.

The majority of respondents stated that this ease of access is the main reason they are attracted to investing in the Islamic capital market. In addition, educational features, user-friendly interfaces, and data transparency have also increased their trust in sharia-based investment platforms.

Other findings show that digitalization has created a more equitable distribution of access to Islamic investment, reaching areas that were previously untouched by modern financial services. With a very low minimum investment (starting from IDR 10,000), Gen Z from various economic backgrounds can participate as investors in the Islamic capital market.

### **2. Religious Motivation and Values**

The motivation to invest among Generation Z is driven not only by the desire for financial gain, but also by spiritual and Islamic ethical values. The majority of respondents stated that they choose Islamic investments because they feel morally safer and wish to avoid the practices of *riba*, *gharar*, and speculation.

Values such as spiritual blessings, social responsibility, and ethical awareness serve as the foundation of investment decision-making. Some respondents even regard Islamic investment as a form of economic worship that can bring benefits to themselves and society.

This phenomenon indicates a shift in the financial behavioral orientation of Gen Z, from an initially pragmatic stance toward a more idealistic direction grounded in Islamic values. However, this religious motivation is often not yet accompanied by an in-depth understanding of contract principles and the mechanisms of the Islamic capital market.

### **3. Challenges of Islamic Financial Literacy and Consistency**

Despite growing Generation Z participation, the study found that Islamic financial literacy remains the main obstacle. Many respondents do not yet fully understand the differences between sharia and conventional

instruments. This leads some investors to simply follow social media trends without analyzing the extent to which products align with sharia principles.

Furthermore, the phenomenon of impulsive investment driven by social media content and financial influencers is also a concern. Gen Z tends to be swayed by viral trends without considering long-term risks. Some respondents even admitted they were attracted to investing simply to appear "financially literate" within their social circles.

Nevertheless, the study also shows that the potential for strengthening Islamic financial literacy among Gen Z is enormous. They possess high levels of curiosity and enthusiasm for the topic of halal finance, especially when content is presented in interactive digital educational formats relevant to their modern lifestyle.

### **Key Findings:**

1. Digital platforms are the primary factor driving Gen Z participation in the Islamic capital market.
2. Religious motivation and Islamic ethics drive the preference for halal investment.
3. Islamic financial literacy remains low and needs to be strengthened through digital education.
4. Social media plays an important role as a promotional medium while simultaneously posing a risk of misinformation.
5. The shift in Gen Z's investment behavior is moving toward a balance between economic returns and spiritual blessings.

## **CONCLUSION**

Digital transformation has had a significant impact on the development of the Islamic capital market in Indonesia, particularly in shaping the investment behavior of Generation Z. The findings indicate that Generation Z is the group most responsive to advances in sharia-based financial technology. They utilize digital platforms such as Bibit Syariah, Bareksa Syariah, Ajaib Syariah, and Pluang Syariah as investment vehicles perceived to be easily accessible, safe, and in accordance with Islamic principles. Ease of registration, information transparency, and user-friendly application interfaces are the primary factors driving investment interest among young people.

Beyond the factor of technological convenience, religious motivation also plays a highly significant role. Generation Z views investment not merely as a means of earning profit, but also as a form of practicing spiritual values in economic life. The awareness to avoid practices of *riba*, *gharar*, and speculation prohibited in Islam serves as a strong moral driver in their selection of Islamic

investment products. This reflects a paradigm shift in investment, moving from a materialistic orientation toward investment grounded in values and spiritual blessings.

However, this study also found that the level of Islamic financial literacy among Generation Z remains relatively low. Many young investors do not yet fully grasp the concepts and contract mechanisms within the Islamic financial system. As a result, some of them invest solely because of social media trends or influencer recommendations without conducting an in-depth analysis of the products they choose. This situation underscores the need for more intensive and structured education, so that the spirit of halal investing is not merely symbolic, but genuinely grounded in a comprehensive understanding of sharia.

Social media has proven to have two sides: on the one hand, it serves as an effective medium for raising investment awareness and disseminating Islamic financial information, while on the other hand, it has the potential to become a source of disinformation when not accompanied by sufficient literacy. Therefore, strong collaboration is needed among regulators such as OJK and BEI, Islamic financial institutions, educational influencers, and educational institutions to build a credible and sustainable Islamic financial literacy ecosystem.

Overall, it can be concluded that the investment behavior of Generation Z in the Islamic capital market is influenced by three primary factors: ease of access through digital technology, religious motivation, and the level of Islamic financial literacy. This behavioral transformation represents a significant opportunity for the development of the national Islamic capital market, while simultaneously posing the challenge of ensuring that digital investment growth remains within the boundaries of Islamic principles. With strengthened education, regulation, and cross-sector collaboration, Generation Z has the potential to become the primary driving force behind the advancement of the Islamic economy in Indonesia in the digital era.

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