

Generation Z Consumption Behavior in the Sharia Economy: Halal Lifestyle Trends and Sharia Fintech Transformation in Indonesia

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Abstract. The development of the digital economy has changed the consumption landscape of Indonesian society, especially among Generation Z, who are very familiar with technology and social media culture. Interest in halal products, Islamic financial services, and spiritual lifestyles shows a positive trend. However, at the same time, digital convenience presents new challenges in the form of impulsive consumption, hedonistic behavior, and increased use of paylater facilities that potentially contain elements of usury. This study analyzes the consumption behavior of Generation Z through the perspective of Islamic economics, utilizing the theory of halal-thayyib consumption, the principle of moderation, maqaṣid al-syari‘ah, and fiqh rules in assessing the economic behavior of the younger generation. Through a qualitative approach based on literature review, this study found that Generation Z has two tendencies: first, awareness of halal products, sustainability, and consumption ethics; second, vulnerability to consumerism due to digital culture. The study concludes that Islamic financial literacy strategies, strengthening the Islamic fintech ecosystem, and public policies based on justice and maslahah are needed so that Generation Z's consumption behavior is in line with Islamic values.

Keywords: Generation Z; Halal Lifestyle; Islamic Consumption; Islamic Fintech; Maqaṣid Al-Syari‘ah

1. BACKGROUND

The rapid development of the digital economy has fundamentally transformed consumption patterns in Indonesia, particularly among Generation Z, a demographic cohort that has grown up alongside the internet, social media platforms, and increasingly sophisticated digital services. As digital natives, Generation Z is highly accustomed to instant access to information, online transactions, and algorithm-driven recommendations that shape their daily choices. This generation is widely recognized for its adaptability, creativity, and openness to innovation, making them a central driver of contemporary consumption trends. Digital marketplaces, social commerce, and mobile payment systems have not only simplified purchasing processes but have also reshaped how products are perceived, evaluated, and consumed. Consequently, consumption is no longer merely a functional activity but has evolved into a symbolic practice closely tied to identity construction, self-expression, and social belonging within digital spaces.

In parallel with the expansion of the digital economy, there has been a notable rise in awareness of spiritual and religious values among Indonesian society, particularly within the younger generation. This awareness has contributed significantly to the growing popularity of halal products and services across multiple sectors, including food and beverages, fashion, cosmetics, tourism, and Sharia-compliant digital financial services. Halal consumption is no longer viewed solely as a religious obligation but has increasingly been positioned as a lifestyle

choice that reflects ethical awareness, product safety, and moral responsibility. The integration of halal certification with modern branding and digital marketing strategies has further strengthened its appeal among Generation Z, who tend to value authenticity, transparency, and value-driven consumption.

The global recognition of Indonesia's halal potential further reinforces the strategic importance of this sector. According to *The State of the Global Islamic Economy 2023* report, Indonesia is ranked among the top five countries worldwide in the halal economy, underscoring its vast market potential and competitive advantage. This achievement is not only the result of demographic factors, such as the large Muslim population, but also reflects the active participation of young consumers in adopting and promoting halal products through digital platforms. Generation Z, with its strong presence on social media, plays a crucial role in amplifying halal trends, influencing peer consumption, and shaping public discourse around Islamic lifestyles in the digital era.

However, alongside these promising developments, significant challenges have emerged, particularly in the form of an increasingly consumerist culture driven by digital dynamics. Phenomena such as the Fear of Missing Out (FOMO), the influence of social media influencers and trendsetters, and the convenience of one-click transactions have intensified consumption behavior among Generation Z. Digital platforms continuously expose users to curated lifestyles, limited-time offers, and viral trends, encouraging impulsive purchasing decisions. As a result, consumption is often motivated not by actual needs but by emotional impulses, social pressure, and the desire to remain relevant within online communities.

This shift in consumption motives indicates that Generation Z increasingly consumes products as symbols of self-image, lifestyle alignment, and social validation rather than purely based on rational considerations. Products are used to communicate status, taste, and personal values, especially in highly visual social media environments. In this context, halal products are sometimes consumed not primarily for their compliance with Islamic principles, but because they are trendy, aesthetically appealing, or endorsed by popular figures. This raises concerns about the potential dilution of the ethical and spiritual essence of halal consumption when it becomes overly commodified within the digital marketplace.

From an Islamic perspective, consumption is governed by principles that emphasize moderation (*wasatiyyah*), balance, benefit (*maslahah*), and the avoidance of excess (*israf*) and wastefulness (*tabdzir*). Islamic consumption ethics encourage individuals to prioritize necessity over desire, utility over prestige, and long-term benefit over short-term satisfaction. The growing gap between these normative values and the actual consumption practices

observed among Generation Z highlights a critical tension between religious ideals and contemporary digital lifestyles. This tension becomes more pronounced when halal consumption is practiced superficially, focusing more on labels and trends than on ethical consciousness and self-restraint.

The contradiction between halal lifestyle trends and Islamic consumption values raises important academic and practical questions. On the one hand, the popularity of halal products among Generation Z can be seen as a positive indicator of religious awareness and market growth. On the other hand, when halal consumption is driven by consumerism, social competition, and excessive spending, it risks contradicting the very values that Islam seeks to uphold. This paradox suggests that halal branding alone is insufficient without a deeper internalization of Islamic economic ethics within consumer behavior.

Therefore, studying the consumption behavior of Generation Z becomes increasingly important to understand how far their practices align with or deviate from Sharia principles. Such studies are essential to identify patterns, motivations, and influencing factors behind their consumption decisions in the digital era. By examining the interplay between digital culture, social media influence, and Islamic values, researchers can provide a more nuanced understanding of how halal consumption is practiced in real life. This knowledge is crucial for policymakers, educators, and industry stakeholders in designing strategies that promote ethical, sustainable, and value-based consumption among young Muslims.

In conclusion, the rise of the digital economy presents both opportunities and challenges for the development of halal consumption among Generation Z in Indonesia. While digital platforms have successfully expanded access to halal products and strengthened Indonesia's position in the global halal economy, they have also facilitated consumerist tendencies that may conflict with Islamic values. Addressing this issue requires a comprehensive approach that integrates digital literacy, Islamic economic education, and responsible marketing practices. By fostering a deeper understanding of Islamic consumption ethics alongside technological advancement, Generation Z can be empowered not only as active consumers in the digital economy but also as agents of ethical and spiritually grounded economic behavior.

2. RESEARCH METHODS

This study employs a descriptive qualitative research method based on a comprehensive literature review. The data sources are derived from classical and contemporary Islamic economics literature, peer-reviewed scientific journals discussing halal consumption, Islamic fintech, and Generation Z consumption behavior, as well as relevant reports on the halal

industry. These sources are analyzed alongside fundamental Islamic principles to provide a holistic understanding of consumption practices within the context of the digital economy. The analysis is conducted by systematically comparing observable consumption phenomena among Generation Z with established theories of Islamic consumption, including the concepts of halal-thayyib, moderation, and maqāṣid al-sharī‘ah. This comparative approach aims to identify areas of alignment as well as deviations between actual consumption behavior and Islamic normative values, thereby offering insights into the ethical and practical implications of Generation Z's economic behavior in the contemporary digital era.

3. RESULTS AND DISCUSSION

The consumption behavior of Generation Z is essentially inseparable from the development of digital technology and the ever-evolving social media ecosystem. Short video-based applications, e-commerce platforms, and digital recommendation systems directly influence their preferences in choosing goods and services. This generation lives in a fast-paced and competitive environment, so consumption decisions are often made without careful consideration. In this context, many viral products are purchased not because of objective needs, but because of emotional impulses, social pressure, and the desire to follow trends. This pattern of consumption shows that technology is not only a tool, but also an agent that shapes the economic behavior of young people.

In addition, the increasing intensity of paylater and digital credit facility usage shows Generation Z's tendency toward debt-based consumption. Even though these services are designed to facilitate transactions, most of them apply interest and penalties that are contrary to sharia principles. At this point, Generation Z's consumption behavior is becoming increasingly complex. They enjoy the ease of transactions, but on the other hand, some of them do not fully understand the long-term financial consequences. From the perspective of maqāṣid al-syari‘ah, this condition threatens the preservation of wealth (hifz al-mal) because it has the potential to create economic burdens and dependence on non-sharia financial institutions.

However, not all Generation Z consumption behaviors are negative. In fact, one interesting development is the increasing awareness of halal values, product safety, and environmental sustainability. Generation Z tends to prefer products that are not only halal in accordance with Islamic law, but also meet the values of thayyib in the sense of being healthy, environmentally friendly, and produced ethically. This indicates that the younger generation has a fairly strong moral orientation in their consumption activities. They are more selective in buying food, cosmetics, fashion, and even choosing financing services that are in accordance

with religious principles. Thus, it can be said that the development of the halal lifestyle is not only symbolic, but is beginning to shape a more ethical and responsible consumption pattern.

In addition to halal awareness, Generation Z is also beginning to show greater concern for sustainability issues. Many of them are mindful of the impact of consumption on the environment, such as choosing environmentally friendly products, avoiding disposable items, and supporting zero waste campaigns. This awareness is in line with Islamic principles that teach the prohibition of causing destruction on earth. Consumption that considers ecological aspects shows that Generation Z's consumption trends are not only driven by personal interests but also by concern for the greater good (al-maslahah al-'ammah).

However, the phenomenon of consumption based on self-image remains a major challenge. In digital culture, social media posts often become a measure of social status, so that consumption becomes a means of gaining recognition from one's social circle. This behavior can be seen in the high level of interest in certain products that are used to showcase a particular lifestyle, such as branded fashion, trendy restaurants, or the latest gadgets. From a sharia perspective, this type of consumption must be watched carefully because it has the potential to give rise to *riya'* (showing off), arrogance, and wastefulness. Even when the goods consumed are halal, the intention behind consumption can undermine the value of worship itself, because Islam judges an action based on its purpose and orientation.

In the context of the development of Sharia fintech, Generation Z actually has a great opportunity to utilize digital technology in a halal and productive manner. The presence of Sharia fintech provides alternative financial services that are free from usury, *gharar*, and manipulation. However, its utilization is still not optimal. Most Generation Z members are still unable to clearly distinguish between financial features that are sharia-compliant and those that are not. This is where sharia financial institutions need to play a role in providing more targeted and engaging education for the younger generation.

Sharia fintech can also play a role in shaping wiser consumption patterns. Through spending reminder systems, spending restriction features, and contract transparency, sharia fintech can help Generation Z avoid wasteful behavior. In addition, sharia fintech can strengthen financial literacy through digital educational content that suits the learning style of the younger generation. Thus, technology is not only a tool for consumption, but also a means of sharia financial education.

Overall, Generation Z's consumption behavior has two major potentials: the potential to become a generation that drives the halal economy and the potential to fall into extreme consumerism. The first potential arises from halal awareness and sustainability, while the

second potential stems from a digital culture that prioritizes speed, sensation, and social image. The biggest challenge is to guide this consumption behavior to remain within the sharia corridor, without stifling the creativity and dynamism of the younger generation.

Sharia Arguments and Policy Solutions

From a Sharia perspective, Generation Z's consumption behavior must be assessed based on the basic principles taught in the Qur'an, Hadith, fiqh rules, and the main objectives of Sharia (maqaṣid al-syari‘ah). Sharia emphasizes that consumption is not only related to the fulfillment of material needs, but also to character building, the preservation of wealth, and the achievement of spiritual and social balance. When Generation Z is trapped in impulsive consumption, the use of interest-bearing paylater services, or consumption behavior for the sake of self-image, then this is prohibited because it contradicts the prohibition of *isrāf*, the principle of simplicity, and the goal of protecting wealth and the soul. Quranic verses such as QS. Al-A'raf: 31 and QS. Al-Isra': 27 provide a clear normative basis that excessive consumption damages the moral and economic balance of a Muslim.

In the context of paylater and digital credit usage, Sharia arguments are becoming increasingly assertive because many of these services contain elements of usury, which is strictly prohibited in QS. Al-Baqarah: 275. This prohibition on usury is not only normative in nature, but also has a preventive dimension in maqaṣid al-syari‘ah. Usury is believed to open the door to economic damage, social injustice, and financial exploitation. Through the principle of *sadd al-dhara'i*, actions that can lead to damage must be prevented even if they appear to be profitable in the short term. Therefore, the use of consumer credit facilities that contain usury is not only un-Sharia compliant, but also threatens the long-term financial stability of Generation Z.

Additionally, consumption for the purpose of self-branding also needs to be criticized from a Sharia perspective. In Islam, intention is the main factor in determining the value of an action. The principle of “al-umur bi maqaṣidiha” states that the value of an action is determined by its purpose. If consumption is aimed at showing off, hedonistic lifestyles, or seeking social validation, then such actions are considered reprehensible even if the goods consumed are halal. This is in line with the prohibition of arrogance and excessiveness as mentioned in QS. Luqman: 18. Therefore, the consumption behavior of Generation Z, which uses social media as a means of showing off their lifestyle, needs to be directed to be more in line with the values of simplicity and humility.

On the other hand, Sharia arguments do not only function as a mechanism of prohibition, but also provide ample space for positive consumption behaviors that support public welfare.

When Generation Z prioritizes halal products, protects the environment, and pays attention to production ethics, they are essentially bringing to life values such as hifz al-nafs, hifz al-māl, and hifz al-bi'ah. Sharia views consumption that supports sustainability as part of worship because it benefits society at large. Therefore, the current trend of halal lifestyles can be seen as a great opportunity to build a consumption society that is value-conscious, ethical, and oriented towards public interest.

Based on the various consumption challenges faced by Generation Z, policy solutions based on the values of justice (al-'adl), trustworthiness, and public interest (al-maṣlaḥah) are needed. The principle of justice requires the clear and fair distribution of information about digital financial products so that Generation Z does not get caught up in detrimental transactions. The government needs to strengthen regulations on conventional paylater services that are prone to usury and encourage Islamic financial institutions to provide halal financing alternatives such as qard hasan, transparent murabahah, and contracts without late fees.

In addition, the value of trust requires Generation Z to manage their assets responsibly. This principle can be realized through more structured Islamic financial literacy education that is relevant to digital culture. Educational institutions, mosques, and youth organizations can develop Islamic financial management modules that emphasize prioritizing needs, avoiding consumer debt, and managing halal savings and investments. Adequate literacy will help Generation Z make economic decisions that are in accordance with sharia and avoid the trap of consumerism.

Maslahah-based solutions require public policy to pay attention to the broad impact of Generation Z's consumption behavior. The government can encourage environmentally friendly consumption campaigns, digital halal product certification, and collaboration with Muslim influencers to spread a moderate consumption lifestyle. On the other hand, Islamic financial institutions need to strengthen their digital systems to make them more accessible to Generation Z, while also providing educational features such as shopping reminders, zakat calculators, and consumption limit notifications that can guide consumption behavior towards more productive outcomes.

In the context of social media, policy approaches must also target aspects of digital ethics. Generation Z needs to be guided so that they do not use social media as a benchmark for consumption identity. This approach can be done through awareness campaigns that emphasize the values of simplicity, honesty, and blessings in consumption. By strengthening these values, Generation Z's consumption patterns have the potential to become more stable, ethical, and long-term oriented.

Overall, the Sharia argument and policy solutions show that Generation Z's consumption behavior is not a stand-alone issue, but part of a larger social challenge that requires targeted intervention. By combining a normative Sharia approach and modern public policy, Generation Z can be guided to become pioneers of a halal lifestyle that is not only trendy, but also brings blessings and benefits to the community.

4. CONCLUSIONS AND SUGGESTIONS

The consumption behavior of Generation Z shows complex dynamics. Some support sharia values through an increased interest in halal lifestyles and the use of sharia financial services, but others are trapped in digital consumerism that is often incompatible with Islamic principles. A sharia review shows that most of Generation Z's consumption behavior is still at a crossroads between sharia values and the demands of digitalization. Therefore, an educational approach and policies are needed to guide Generation Z's consumption behavior towards a more ethical, moderate, and *maqāṣid al-syarī‘ah*-compliant direction. Strengthening the sharia fintech ecosystem, financial literacy, and sustainable consumption campaigns are strategic steps to create a generation that is not only modern but also value-conscious and oriented towards blessings and benefits.

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