

## CHAPTER I

### INTRODUCTION

#### A. Research Background

The transformation of financial services has been greatly influenced by the development of digital technology, particularly the emergence of *financial technology* (fintech). The technology offers unprecedented ease of access, transaction speed, and flexibility. Generation Z, who was born and raised in the digital era, uses fintech to meet their various financial needs. In Indonesia, fintech not only provides electronic payment services, but also online loan services that are increasingly in demand, especially by Generation Z Muslims.<sup>1</sup> Considering the world's largest Muslim population, sharia-based online lending services are an important alternative because they meet Islamic principles, such as the prohibition of *riba* (interest), *gharar* (uncertainty), and *maisir* (speculation).<sup>2</sup>

Generation Z is drawn to Islamic Online Financing services due to their simplicity and ease of access. By using only a mobile phone and an internet connection, users can apply for a loan without the need to meet face-to-face.<sup>3</sup> This process makes the service an instant solution to meet their needs. According to data from the Financial Services Authority (OJK) in May 2023, the *sharia-based peer-to-peer* (P2P) lending sector has accounted for around 33% of the total P2P lending market share in Indonesia, with an asset value of IDR 133.64 billion. This shows the high demand for financial

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<sup>1</sup> Eka Arista Widya and Laila Masruro Pimada, "Determinants of the Use of Sharia Online Loans in Indonesia," *Islamic Economics and Finance in Focus* 2, no. 3 (2023): 2023, <http://dx.doi.org/10.21776/ieff>.

<sup>2</sup> Ibid.

<sup>3</sup> Sheila Wijayanti, "The Impact of Online Loan Applications on the Needs and Consumptive Lifestyles of Factory Workers," *MIZANIA: Journal of Economics and Accounting* 2, no. 2 (2022): 230–35, <https://doi.org/10.47776/mizania.v2i2.592>.

services based on digital in accordance with sharia principles among the Indonesian Muslim community.<sup>4</sup>

Generation Z dominates the use of this service, as reflected in the OJK report at the end of 2022 which noted that 62% of P2P lending accounts in Indonesia are owned by this group. This data shows that Generation Z is highly connected to digital technology and prefers fast and flexible financial services.<sup>5</sup> The use of this service by Generation Z is often directed to consumptive lifestyle needs, such as the purchase of electronics, fashion, and vacations.<sup>6</sup> The Inventure 2024 survey revealed that 61% of Generation Z users take advantage of online loans to buy gadgets, while another 35% use them for fashion needs such as clothes, and shoes, and 23% for leisure activities such as entertainment.<sup>7</sup>

The digital lifestyle and social media play a significant role in encouraging this consumptive behavior for Generation Z. Social media, which often features a glamorous lifestyle that encourages individuals to follow social trends or standards, often feel encouraged to adopt the same lifestyle as their environment so as not to feel left behind. This phenomenon is referred to as *Fear of Missing Out* (FoMO), where individuals feel anxious about missing out on certain opportunities or experiences.<sup>8</sup> FoMO influences

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<sup>4</sup> Khoirifa Argisa Putri, "Sharia Loan Association Revisions Financing Distribution Target in 2023, This is the Trigger," November 1, 2023, <https://infobanknews.com/asosiasi-pinjol-syariah-revisi-target-penyaluran-pembiayaan-di-2023-ini-pemicunya/>.

<sup>5</sup> Ismeirita, "The Impact of Economic Digitalization on the Lifestyle of Generation Z and Millennials (Case Study on Students of Panca Sakti University Bekasi)," *FRIMA: Management & Accounting Scientific Research Festival* 6, no. 6 (2023): 675–81.

<sup>6</sup> Study Program et al., "Illegal Online Loans (Pinjol) in Illegal Online Loans (Pinjol) In," *Illegal Online Loans (Pinjol) in the Perspective of Positive Law and Islamic Law*, 2022, 116.

<sup>7</sup> Lida Puspaningtyas, "Survey Reveals Why Gen-Z Likes to Use Pinjol," 2024, <https://ekonomi.republika.co.id/berita/slu3n0502/survei-ungkap-kenapa-genz-suka-pakai-pinjol>.

<sup>8</sup> Fuad Bakioğlu et al., "Adaptation and Validation of the Online-Fear of Missing Out Inventory into Turkish and the Association with Social Media Addiction, Smartphone Addiction, and Life Satisfaction," *BMC Psychology* 10, no. 1 (2022): 1–11, <https://doi.org/10.1186/s40359-022-00856-y>.

their financial decisions by encouraging excessive consumption, including through the use of Islamic Online Financing.<sup>9</sup>

In addition to FoMO, the principle of *You Only Live Once* (YOLO) is also a significant factor that influences the consumptive behavior of Generation Z. YOLO encourages a person to pursue momentary gratification without considering the long-term impact.<sup>10</sup> To finance temporary goods or experiences that bring them momentary pleasure, Generation Z often uses online loan services in a financial context. Both of these phenomena, amplified by social media content, make Generation Z more vulnerable to implicit financial decisions.<sup>11</sup>

The ease of access to digital media is also a factor in the increasing use of Islamic Online Financing services. The technology allows users to access funds quickly without going through a complicated process.<sup>12</sup> An Infobank survey in early 2024 noted that the total debt of Generation Z on various online lending platforms, both sharia and conventional, has reached IDR 43 trillion. The fact that services originally designed for urgent needs are now becoming lifestyle-enhancing tools is reflected in this fact. This use is often done without careful financial planning, as it can pose financial risks in the future.<sup>13</sup>

The phenomenon of excessive consumption among Generation Z cannot be separated from the influence of social media and digital trends. Content that features a luxurious life, exclusive travel, or expensive items is

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<sup>9</sup> Siti Nuraisyah, Mulia Marita, and Lasutri Tama, "The Relationship between Fear Of Missing Out and Compulsive Buying in Instagram Users at the Faculty of Communication, Bina Darma University, Palembang" 9623 (n.d.): 373–81.

<sup>10</sup> W. Roosendaal, "The YOLO Economy: How Digital Platforms Reshape Consumer Risk Preferences," *Journal of Economic Behavior & Organization*, 170, 241-252., 2020.

<sup>11</sup> "Getting to know the Yolo lifestyle that is popular among millennials and Gen Z \_ Kumparan," n.d.

<sup>12</sup> S Wahyuni, "The Role of Ease of Digital Access to Consumer Interest in Islamic Financial Products," *Journal of Financial Management*, 2020, 97–105.

<sup>13</sup> Arigato Dimitri Batistuta and Chontina Siahaan, "Reporting on Illegal Online Loan Cases in Electronic News Media," *Intelectivity: Journal of Economics, Social, and Humanities* 3, no. 4 (2021): 23–32.



often a trigger for a desire to follow a similar lifestyle.<sup>14</sup> With the ease of Islamic Online Financing services, Generation Z finds an instant way to fulfill these desires. Although the service is sharia-based, its unwise use can affect an individual's financial stability in the long run.<sup>15</sup>

Sharia regulations and guidelines play an important role in ensuring that sharia-based online loan services run according to Islamic principles. In Indonesia, the main legal basis that regulates this activity is Law Number 21 of 2008 concerning Sharia Banking, which stipulates that all Islamic financial transactions must be free from elements of *riba*, *gharar*, and *maisir*.<sup>16</sup> In addition, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) also issued Fatwa No.117/DSN-MUI/II/2018, which provides guidelines on the use of sharia contracts such as *murabahah* (buying and selling with margin), *ijarah* (rent), and *musharakah* (cooperation). This fatwa affirms that all transactions must be carried out with full transparency, including the fees and risks involved.<sup>17</sup>

While these regulations and guidelines exist, their implementation often faces challenges, especially in reaching out to groups like Generation Z who are more focused on short-term benefits than understanding long-term risks.<sup>18</sup> This is a concern because the ever-increasing reliance on online loans can create bigger financial problems if not addressed properly. With easier access, without proper understanding, Generation Z is at risk of being trapped in a cycle of debt that is difficult to avoid.<sup>19</sup>

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<sup>14</sup> Reni Hariyani, "The Urgency of Financial Literacy for Student Personal Financial Management during the Covid-19 Pandemic in Indonesia," *Widya Cipta: Journal of Secretary and Management* 6, no. 1 (2022): 46–54, <https://doi.org/10.31294/widyacipta.v6i1.12234>.

<sup>15</sup> Widya and Pimada, "Determinants of the Use of Sharia Online Loans in Indonesia."

<sup>16</sup> Andan Hafsa Mukminati, "Problematika Hukum Peer To Peer Lending Syariah Di Indonesia," *Jurnal Hukum Dan Pembangunan Ekonomi* 10, no. 2 (2022): 168, <https://doi.org/10.20961/hpe.v10i2.64922>.

<sup>17</sup> Adi Nur Rohman, "Urgensi Pengaturan Fintech Lending Syariah Di Indonesia: Analisis Perlindungan Hukum Bagi Pengguna Layanan," *Jurnal Legislasi Indonesia* 20, no. 1 (2023): 16, <https://doi.org/10.54629/jli.v20i1.991>.

<sup>18</sup> Ismeirita, "Dampak Digitalisasi Ekonomi Terhadap Gaya Hidup Generasi Z Dan Milenial (Studi Kasus Pada Mahasiswa Universitas Panca Sakti Bekasi)."

<sup>19</sup> Ibid.

Previous studies have shown that FoMO is associated with impulsive consumptive behavior among Generation Z, who are often influenced by social pressures and trends on social media, leading them to use online loan to fulfill their lifestyle needs.<sup>20</sup> Additionally, YOLO significantly influences financial decision-making, as this principle drives young people to make impulsive decisions to maximize life experiences without giving much consideration to long-term risks.<sup>21</sup> Another critical factor is the Ease of Access to Digital Media, as highlighted by Hapsari (2023), where technology enables online loans services to become faster and more accessible. However, this ease also increases the risk of unwise financial decisions due to limited understanding of the terms and conditions of these services.<sup>22</sup> This study combines these three factors to provide a more comprehensive insight into Generation Z's interest in using Islamic Online Financing.

Although Islamic Online Financing continue to grow with a significant contribution to the Indonesian fintech market, there is still a lack of research that specifically integrates the influence of FoMO, YOLO, and Ease of Access to Digital Media in influencing Generation Z's interest in using this service. Most previous studies have focused on analyzing only one or two aspects. Meanwhile, the context of Generation Z as the dominant user of sharia fintech services has not been discussed quite a lot in the scientific literature. Thus, there have not been many studies that comprehensively discuss how when factors simultaneously affect the interest of Generation Z in using Islamic Online Financing services.

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<sup>20</sup> Kanda dan Yanti, "Pengaruh Fear of Missing Out (FoMO) Terhadap Penggunaan Pinjaman Online Syariah," 2024.

<sup>21</sup> Rahayu, "Pengaruh YOLO Terhadap Keputusan Finansial Generasi Muda Di Era Digital," 2021.

<sup>22</sup> Christopher Coker et al., "No 主観的健康感を中心とした在宅高齢者における健康関連指標に関する共分散構造分析Title," *Transcommunication* 53, no. 1 (2018): 1–8, <http://www.tfd.org.tw/opencms/english/about/background.html%0Ahttp://dx.doi.org/10.1016/j.cirp.2016.06.001%0Ahttp://dx.doi.org/10.1016/j.powtec.2016.12.055%0Ahttps://doi.org/10.1016/j.ijfatigue.2019.02.006%0Ahttps://doi.org/10.1016/j.matlet.2019.04.024%0A>.

This study aims to fill the gap by combining several aspects in one holistic analytical framework. The findings of this study are expected to make a new contribution to the academic literature on Islamic financial behavior, especially in the context of Generation Z, as well as provide strategic insights for service providers and regulators in designing more effective and inclusive policies.

## **B. Problem Formulation**

Based on the above background, the researcher identified problems in the study, namely:

1. Does FoMO (*Fear of Missing Out*) affect the high interest in using Islamic Online Financing in Generation Z?
2. Does YOLO (*You Only Live Once*) affect the high interest in using Islamic Online Financing in Generation Z?
3. Does the Ease of Access to Digital Media affect the high interest in using Islamic Online Financing in Generation Z?
4. Does FoMO (*Fear of Missing Out*), YOLO (*You Only Live Once*), and the Ease of Access to Digital Media affect simultaneously the high interest in using Islamic Online Financing in Generation Z?

## **C. Research Objectives**

The objectives of this study are:

1. To analyze the influence of FoMO (*Fear of Missing Out*) on the high interest in using Islamic Online Financing in Generation Z
2. To analyze the influence of YOLO (*You Only Live Once*) on the high interest in using Islamic Online Financing in Generation Z.
3. To analyze the influence of Ease of Access to Digital Media on the high interest in using Islamic Online Financing in Generation Z.
4. To analyze the influence of FoMO (*Fear of Missing Out*), YOLO (*You Only Live Once*), and the Ease of Access to Digital Media on the high interest in using Islamic Online Financing in Generation Z.



## **D. Research Benefits**

### **1. Theoretical Benefits**

This research is expected to be an additional reference, data and information for future academics and researchers related to financial literacy, especially regarding *sharia peer to peer lending* or commonly called Islamic Online Financing.

### **2. Practical Benefits**

#### **a. Government**

This research is expected to be considered by the government or financial institutions in Indonesia in licensing the implementation of *fintech applications*, especially *sharia peer to peer lending* or Islamic Online Financing.

#### **b. Social Society**

This research is expected to be an additional financial literacy for the community, especially for Generation Z to be financially literate, especially financial literacy, as well as financial attitudes and behaviors so that they are not easily entangled in the use of Islamic Online Financing

#### **c. Writer**

This research is expected to be a medium in the application of science and can increase knowledge about financial literacy, as well as financial attitudes and behaviors.