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| [1526037568077_CFU1](http://journal.umy.ac.id/index.php/ai/issue/archive)  open access | **Article Type:** Research Paper    Understanding the Determinants of Financial Decision in Generation Millenial: Does Islamic Branding Matter?  **Abstract:**  **Research aims:** This study aims to develop an original model of financial decisions by considering the Islamic financial literacy variable which is reflected by the financial behavioral, financial knowledge, and financial attitude variables as well as considering Islamic branding as a mediating variable  **Design/Methodology/Approach:** The approach used in this study is an empirical approach. Data were collected using questionnaires distributed through various online media and filtered using purposive sampling technique. The hypothesis was tested using Structural Equation Modeling (SEM).  **Research findings:**  The findings of our study state that Islamic financial literacy directly has a positive and significant impact on the financial decisions of the millennial generation in South Sumatra. Islamic branding is able to mediate the influence of Islamic financial literacy on financial decisions. Islamic branding is a very important part in improving the financial decisions of the millennial generation in South Sumatra.  **Theoretical contribution/Originality:**. This finding can be used as a reference for companies in order to increase the number of customers and investors, especially among the millennial generation.  **Research limitation/Implication:** This study has limitations in terms of sample determination. The sample is very wide, making it difficult for researchers to collect data accurately and quickly.  **Keywords:**  Islamic Financial Literacy, Financial Decision, Islamic Branding |
| **THIS ARTICLE IS AVALILABLE IN:** <http://journal.umy.ac.id/index.php/>ai  **DOI:** 10.18196/jai.xxxxxxxxx  **CITATION: (Do not fill in)**  xxxxxxxx. (20xx) xxxxxxxxxxxxxxxxxxxxxxxxx. *Journal of Accounting and Investment*, xx(x), xx-xx.  **ARTICLE HISTORY**  **Received:**  xxx  **Reviewed:**  xxx  **Revised:**  xxx  **Accepted:**  xxx |

**Introduction**

Indonesia is one of the countries with the largest Muslim population in the world. So it is not surprising that the growth of sharia-based financial institutions is getting higher. With regard to Islamic financial institutions, until now the topic is still interesting to discuss and study. One of the Islamic financial institutions that has a fairly rapid growth is Islamic banking. Almost all banks provide sharia services, both in the form of sharia business units and spin offs.

Along with the rapid development of technology, ending in the formation of the financial service system offered by banks is also increasingly sophisticated. So that the complexity of financial instruments has increased from year to year. The customer as a very important part of the banking component is required not only to have simple knowledge about how to manage finances but more than that. A person will develop and along with it will come various challenges and changes. So it is important for a customer to be able to differentiate financial services in order to be able to make the most appropriate choice according to their goals and needs.

In 2016 a survey was conducted on the financial literacy of the Islamic sector to 9680 respondents, the results showed that the Islamic financial literacy index was still quite low at 8.11 percent. In addition, the results of a survey by the Financial Services Authority (OJK) regarding Islamic financial literacy in Indonesia are very low. This shows that even though Indonesia is a country with the largest Muslim population in the world, most people still use conventional financial instruments. When compared to other Muslim countries, Islamic Financial Assets in Indonesia are still very low. In 2016, Indonesia was ranked 9th in the category of Islamic Financial Assets. This ranking is still far below Malaysia, which is ranked 3rd. This can be seen from the following graph.

The millennial generation is the generation born in . in those years a person is still very productive and towards financial stability. Therefore, a very high level of financial literacy is needed to be able to determine and make the right decisions so that the future can be guaranteed. A person with less financial literacy, will contribute to making poor financial choices and this will harm individuals and society. Without an appreciation of financial concepts and an understanding of financial options, individuals may end up paying more than they owe, falling into debt, and damaging credit records. This will have an impact on the individual's future economic difficulties (Komara et al., 2018).

In addition to knowledge about finance, the brand can also be a determinant of someone choosing a product. Moreover, the brand is related to religion. For a Muslim, the decision to choose a product based on sharia is a form of faith and piety. Therefore, in addition to considering the benefits, Muslim customers must also consider in terms of sharia (Kusuma et al., 2021).

The study of the impact of Islamic financial literacy on financial decisions with Islamic branding as a mediator provides an opportunity to increase understanding of the financial decision-making process. For Islamic banking, these findings can be used as a reference in developing banking financial strategies and attracting Muslim investors to invest in Islamic banking. Meanwhile, for academics, these findings can contribute to increasing understanding, especially regarding financial decisions.

**Literature Review and Hypotheses Development**

**Financial Decisions**

Financial decisions are defined as choices that may be made with applied knowledge of financial literacy (Komara et al., 2018). He further stated that a financially literate individual has the ability to plan, save, borrow, invest and spend wisely and is able to take risk reduction measures. In line with this opinion, according to Byrne & Utkus (2013) states that in financial theory, investors have difficulty in making financial decisions, both informed, careful, and consistent. Meanwhile, the traditional theory states that investors are confident in making decisions and are not influenced by their emotions. Modern theory observes that investors behave according to their emotions.

**Islamic Financial Literacy on Financial Decisions**

Otoritas Jasa Keuangan (OJK) states that Islamic financial literacy is a series of processes or activities in order to increase the knowledge, confidence, and skills of consumers in particular and the wider community in order to be able to manage finances well. Meanwhile, according to Falevy et al. (2022) stated that Islamic financial literacy is a person's skills, actions, capabilities, and competencies regarding the management of financial resources, in accordance with Islamic sharia principles. Based on the above understanding, it can be said that Islamic financial literacy is a very fundamental part of the life of the Muslim community. It is intended that financial management can be implemented based on sharia principles.

Financial literacy is a very important part of efforts to improve customers' knowledge, confidence, and skills in managing their finances. This is in line with the opinion of Soderlund & Eriksson (2020) which states that a high level of knowledge will contribute to the level of savings. Lusardi (2008:19) also states that lack of knowledge about basic economic principles can affect the number of loans taken and involvement in stock market investments. Furthermore, Lusardi (2014) states that financial literacy can be a tool in increasing the basis for consumers to make their consumption decisions. Based on the opinions of these experts, it can be said that financial literacy has a close relationship with financial decision making by a person. Will they save, invest, or will they spend their money?

Research conducted Munardi et al. (2020) and Falevy et al. (2022) found that Islamic financial literacy has a positive and significant effect on decisions to use Islamic banking services. Thohari & Hakim (2021) found that Islamic financial literacy has a positive and significant impact on saving decisions in Islamic banks. The results of research by Anindya & Hakim (2021) dan Fauzi & Murniawaty (2020) show that interest in saving in Islamic banking is positively and significantly influenced by Islamic financial literacy. (Candera et al., 2020) found that Islamic financial literacy has an impact on interest in saving in Islamic banking.

Based on theoretical exposure and previous research, it can be hypothesized as follows.

H1 : Islamic Financial Literacy has a positive and significant effect on Financial Decisions for Millennial Generation in South Sumatra.

**Islamic Branding as Mediator of Financial Literacy on Financial Decisions**

Brands are closely related to emotions, especially when the brand is related to religion. It is very important for companies in the Muslim market to understand the implications of religion (Yusof et al., 2014). Islamic branding is a combination of symbols, names, and several other devices in a brand that are related to sharia principles in realizing Islamic values (Afrianty & Agustina, 2020). Nasrullah (2015)states that the use of Islamic branding can have a big influence on the decision to buy products, including Islamic banking products. According to Ranto (2013) Islamic branding aims to attract Muslim consumers, starting from the behavior and marketing communications carried out. Alserhan (2010) states that for Muslims, branding cannot be separated from faith, all activities must be divine and their feelings must be in accordance with Allah's instructions.

According to Wijanarko & Rachmawati (2020) one of the factors that can influence a person's decision in choosing Islamic financial services is Islamic branding. Rozikin & Sholekhah (2020) found that brand image has an impact on intentions to save in Islamic banks. Kusuma et al. (2021) find that the decision of Muslim investors to choose investment instruments is influenced by Islamic branding.

Based on theoretical exposure and previous research, it can be hypothesized as follows.

H2 : Islamic Branding is able to mediate the influence of Islamic Financial Literacy on Financial Decisions on Millennial Generation in South Sumatra.

The conceptual framework of this research can be seen in the following figure.

H1

H2

Figure 1. Research Concept Framework

**Research Method**

This research is a quantitative research. Gay, Mills, & Airasian (2009) state that quantitative research relies on the collection and analysis of numbering data to describe, explain, predict, or control variables and phenomena of interest. Apuke (2017) also explains that quantitative research measures and analyzes variables in order to obtain results and specifically to answer questions such as who, how much, what, where, when, how much, and how.

The type of data used in this study is primary data. The data was collected using a questionnaire, which was made based on the phenomena that occurred. Before the questionnaire was distributed, it was first tested using validity and reliability tests. The population in this study is the Millennial generation in South Sumatra. Because the population in this study is an infinite study, the sample used is 348 respondents.

The data analysis used to test the hypothesis is the analysis of Structural Equation Modeling using PLS-SEM, where it is stated by Liao & Widowati (2021) that PLS-SEM appears as the most dominant SEM method today. According to Hair et al., (2014) that the outer model of the psychosomatic empirical model must be confirmed using multiple measures before the inner model can be examined when using PLS-SEM. The analytical method used is path analysis. Sarwono (2011) explains that path analysis is an extension of multiple linear regression analysis, which is independent of statistical procedures in determining causal relationships.

Based on the above framework, it can be reflected in the following equation.

**Result and Discussion**

**Reliability Test and Construct Validity**

Testing reliability and construct validity using Composite Reliability (CR) and Average Variance Extracted (AVE), with the provisions according to Hair et al. (2014) that the reliability value is measured using Composite Reliability (CR) with a threshold for the accepted value which is above 0.7. While the value of construct validity was measured using Average Variance Extracted (AVE) with a score threshold above 0.6. Based on the test results show that the Composite Reliability (CR) and Average Variance Extracted (AVE) values ​​are above the threshold. The results of testing the validity and reliability of constructs can be seen in the following table.

Table 2. The results of the reliability test and construct validity

|  |  |  |
| --- | --- | --- |
| Variable | Composite Reliability  (CR > 0,7) | Average Variance Extracted  (AVE > 0,6) |
| Financial Decision | 0.928 | 0.682 |
| Islamic Branding | 0.940 | 0.723 |

The table above shows the Composite Reliability (CR) value of each variable namely the financial decision variable of 0.928 and the Islamic Branding variable of 0.940. This value is greater than the value of 0.7. The Average Variance Extracted (AVE) value of each variable, namely the financial decision variable, is 0.682 and the Islamic Branding variable is 0.723, which is greater than the value of 0.6. Therefore, it can be concluded that the variables used are reliable and constructively valid.

**Loadings Factor**

The results of the outer loading analysis can be seen in the following table.

Table 3. Results of Loading Factor

|  |  |  |  |
| --- | --- | --- | --- |
| Symbol | Financial Decision | Financial Literacy | Islamic Branding |
| IFL\_1 |  | 0.934 |  |
| IFL\_2 |  | 0.895 |  |
| IFL\_3 |  | 0.947 |  |
| FD\_1 | 0.762 |  |  |
| FD\_2 | 0.836 |  |  |
| FD\_3 | 0.860 |  |  |
| FD\_4 | 0.781 |  |  |
| FD\_5 | 0.851 |  |  |
| FD\_6 | 0.862 |  |  |
| IB\_1 |  |  | 0.851 |
| IB\_2 |  |  | 0.811 |
| IB\_3 |  |  | 0.884 |
| IB\_4 |  |  | 0.816 |
| IB\_5 |  |  | 0.874 |
| IB\_6 |  |  | 0.864 |

Based table above, it can be seen that the Islamic financial literacy variable consists of 3 reflectors, including: financial knowledge, financial attitude, and financial behavior. The three reflectors have a value greater than 0.6 so it can be concluded that the three reflectors can be used as a reflection of the Islamic financial literacy variable. The financial decision variable consists of 6 sub-indicators that have a value of outer loadings greater than the value of 0.6 so that it can be fully used as a description of the financial decision variable. Finally, the Islamic branding variable as a mediator variable consists of 6 sub-indicators that have a value of outer loadings greater than the value of 0.6 so that it can be used fully as a description of the financial decision variable.

Model Fit

The results of the model fit analysis can be seen in the following table

|  |  |
| --- | --- |
| Fit Model Criteria | Estimated Model |
| SRMR | 0.053 |
| d\_ULS | 0.337 |
| d\_G | 0.268 |
| Chi-Square | 509.390 |
| NFI | 0.879 |
| rms Theta | 0.184 |

The above test of the fit model shows that the value of the Normed-Fit Index (NFI) is 0.879 < 0.900 and the RMS Theta or Root Mean Square Theta value is 0.184 > 0.102. Based on the assessment, the two models do not meet the model fit criteria. However, based on the Standardized Root Mean Square Residual (SRMR) value of 0.053 < 0.10, it can be concluded that the model fits the data and can be continued as a Structural Equation Modeling (SEM) analysis.

**Data Analysis**

The results of the Structural Equation Modeling (SEM) data analysis can be seen in the following table.

Table 5. Hypothesis Test Results

|  |  |  |  |
| --- | --- | --- | --- |
| Direct Effect | | | |
| Effect | T Statistics | P Values | Hypotesis |
| Financial Literacy -> Financial Decision | 5.788 | 0.000 | H1 = Accepted |
| Indirect Effect | | | |
| Financial Literacy -> Financial Decision | 5.998 | 0.000 | H2 = Accepted |

Based on the table above, it can be described as follows.

1. The direct impact of Islamic financial literacy on financial decisions in the Millennial generation.

The results of the analysis show that the t statistic value is 5.788 and P Values ​​is 0.000. While the value of t table is 1.650 and alpha is 0.05. Based on this value, the t statistic is greater than the t table value and the p value is smaller than the alpha value. So it can be concluded that the null hypothesis is rejected, there is a direct influence of Islamic financial literacy on financial decisions in the millennial generation in South Sumatra.

1. The impact of Islamic branding mediation on the influence of financial literacy on financial decisions in the Millennial generation

The results of the analysis show that the t statistic value is 5.988 and P Values ​​is 0.000. While the value of t table is 1.650 and alpha is 0.05. Based on this value, the t statistic is greater than the t table value and the p value is smaller than the alpha value. So it can be concluded that the null hypothesis is rejected, there is a positive and significant indirect effect of Islamic financial literacy on financial decisions through Islamic branding in the Millennial generation in South Sumatra.

The results of the above data analysis can be illustrated in the following figure.

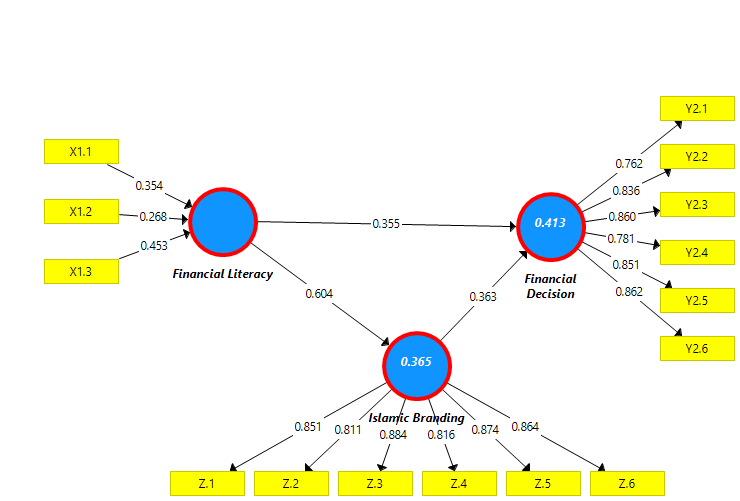


Figure 2. Full Model SEM Path Analysis

Based on the picture above, it can be reflected in the following equation model.

**Discussion**

This study aims to analyze what factors can influence the financial decisions of millennials in South Sumatra by using Islamic branding as a mediator variable. This research on the financial decisions of the millennial generation is very relevant to today's economic and technological developments. Financial decisions are one of the most important parts of life in the future. If the current financial decisions are right, it can be said that a person's future can be more secure than someone without the right financial decisions. Therefore, financial decisions are always interesting and endless to study and learn.

Our study informs that first, Islamic financial literacy has a direct positive and significant impact on the financial decisions of the millennial generation in South Sumatra. This finding shows that there is a positive relationship between Islamic financial literacy and financial decisions, meaning that if Islamic financial literacy increases, the financial decisions of millennials in South Sumatra will increase. Vice versa, if Islamic financial literacy decreases, financial decisions will also decrease. These findings support research conducted by (Baihaqqy et al., 2020; Pangestu & Karnadi, 2020; Prasad & Nataraj, 2017; Rozikin & Sholekhah, 2020; Utami & Sitanggang, 2021; Wijanarko & Rachmawati, 2020) which states that financial literacy has an impact on financial decisions. Financial attitudes & Financial Knowledge affect financial decisions Hidayati et al. (2021).

Second, Islamic financial literacy has a positive and significant indirect impact on the financial decisions of millennials in South Sumatra. The findings show a positive relationship between Islamic financial literacy and financial decisions through Islamic branding as a mediator. These findings indicate that Islamic branding has a role in mediating the influence of Islamic financial literacy on financial decisions. That is, if Islamic financial literacy increases, which is followed by an increase in Islamic branding, it will improve the financial decisions of the millennial generation in South Sumatra. Wijanarko & Rachmawati (2020) Islamic Branding influences the decision to choose Islamic financial services. Kusuma et al. (2021) show that Islamic branding has an effect on investment decisions. Brand image affects the decision to save (Rozikin & Sholekhah, 2020).

**Conclusion**

This study deals with how Islamic financial literacy shows a positive and significant contribution to financial decisions directly or indirectly through Islamic branding as a mediator. These findings contribute to the literature, especially regarding Islamic financial literacy in relation to Islamic branding as a mediator and financial decision maker.

The results of the study clarify the contribution of Islamic financial literacy to Islamic branding and financial decisions. Islamic brangin is a very important factor and must always be considered in attracting the millennial generation to be able to save and invest in Islamic financial institutions.

The main limitation of this study is that the sampling is too strong, making it difficult for researchers to collect data and generalize the results. For further researchers to be able to consider other factors that can improve the financial decisions of the millennial generation as customers in Islamic financial institutions.

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