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## #16451 Summary

**Buttons:** SUMMARY, REVIEW, EDITING

### Submission

Authors	Abid Djazuli, Muhammad Ridhwan Ab Aziz, Mister Candra, Darma Yanti
Title	Determinants of Financial Decisions of Millennial Generation in Islamic Banking: Does Islamic Branding Matter?
Original file	16451-60018-2-SM.DOCX 2022-10-07
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Submitter	Abid Djazuli
Date submitted	October 7, 2022 - 05:47 PM
Section	Articles
Editor	Hafiez Sofyani

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# #16451 Review

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## Submission

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Section	Articles
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Scopus ID: 57203309417, Department of Accounting, Universitas Muhammadiyah Yogyakarta  
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Hafiez Sofyani  
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Best regards

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Article Type: Research Paper

# Understanding the Determinants of Financial Decision in Millennial Generation: Does Islamic Branding Matter?

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**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 research samples include millennial generation in South Sumatra. 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 (partial mediation) the influence of Islamic financial literacy on financial decisions.

**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. Specifically, Islamic branding can be recommended as one of the sharia banking business strategies to improve the financial decisions of the millennial generation in South Sumatra.

**Research limitation/Implication:** This study was only conducted in south sumatera, making the result is not quite strong in terms external validity.

**Keywords:**

Islamic Financial Literacy, Financial Decision, Islamic Branding



## 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 (table 1). Almost all banks provide sharia services, both in the form of sharia business units and spin offs.

Table 1. Global Islamic Financial Asset Distribution

Islamic Financial Institutions	Asset Total	Share of Total Global Islamic Financial Assets	Number of Institutions
Islamic Banking	2349	70%	527
Sukuk	631	19%	3805
Other Sharia <b>IKNB</b> Institutions	178	5%	1698
Sharia Mutual Fund	154	5%	745
Sharia Insurance	62	2%	323

Source: Indonesia Islamic Financial Development Report, 2021

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. Consistent with the opinion of Bajaj & Kaur (2021) which states that it is important to have knowledge of financial products and services in order to be able to make rational financial decisions. Upadana & Herawati (2020) also state that financial knowledge can make it easier for a person when faced with various investment choices.

The results of the financial services authority or *Otoritas Jasa Keuangan* (OJK) survey in 2019 listed in the 2021-2025 Indonesian Financial Literacy National Strategy Report (2021-2025) stated that the average Islamic financial literacy index in Indonesia was 8.93%. The highest Islamic financial literacy index by province is DKI Jakarta Province with an index of 34.03%. Meanwhile, the Islamic financial literacy index in South Sumatra Province is only 15.97%. This index is lower than Riau Province at 21.99%. In fact, when viewed from data from the Central Statistics Agency (BPS) the population based on religion in 2021, the Muslim population in South Sumatra is more than the Muslim population in Riau.

Commented [HS2]: What is this?

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The total Muslim population in South Sumatra Province is 8,268,874 people and the Muslim population in Riau Province is 5,622,998 people.

The millennial generation is the generation born from 1980 to 1995. 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. This is supported by Rashid et al. (2020) that people with high financial literacy have the ability to make investment decisions and are able to engage with various financial information. A person with low financial literacy, will contribute to making poor financial choices and this will harm individuals and society. This supported by Thomas & Subhashree (2020) that if financial literacy is low, it will cause someone to make the wrong decision. 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 Agarwal et al. (2021). 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 (Kusuma et al., 2021). 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). Furthermore, Komara et al. (2018) also 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

**Commented [HS3]:** Please mention explicitly which gap that authors want to address? What is the research aim? What are the research contribution seen from practical and theoretical/the body of knowledge development?

**Commented [HS4]:** Justification related to mediation promotion is still superficial. Authors need to corroborate their argument why the framework needs mediation variable? Is there any empirical gap, inconsistent prior research results, for instance.

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emotions. This is closely related to the Theory of Planned Behavior popularized by (Ajzen, 1991), the theory introduces the relationship between belief and behavior. This study examines how individuals believe to be able to make financial decisions (investment or savings) in Islamic banking, by utilizing Islamic branding as an intermediary.

**Commented [H55]:** Please elaborate more about theory of planned behavior

#### **Islamic Financial Literacy on Financial Decisions**

The Financial Services Authority (OJK) states that financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. 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) 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. (Candra 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,

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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.

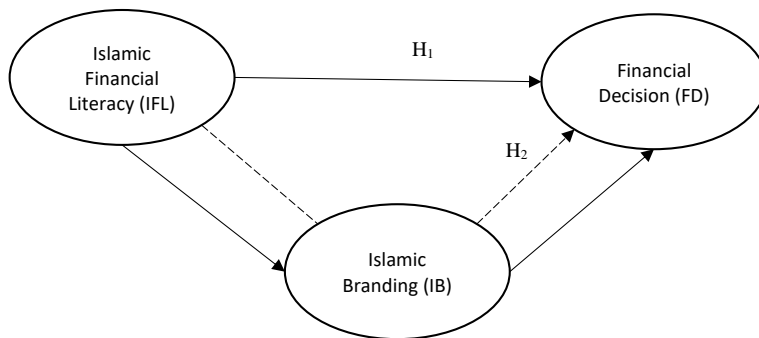


Figure 1. Research Concept Framework

## Research Method

### Population, Sample, and Data Collection Techniques

This research is quantitative research. Gay et al., (2009:5) state that quantitative research relies on the collection and analysis of numerical 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.

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**Population, Sample, and Data Collection Techniques**

A population is a group of individuals, objects, items, or entities with the same characteristics or attributes (Etikan & Babatope, 2019). In connection with this understanding, the population in this study is all people aged between 27 years to 42 years. While the sample is defined as representative of the population (Etikan & Babatope, 2019). The aim of this research study is to generalize the findings of the study from the sample to the desired population (Majid (2018)). Sampling is a very important tool for research studies because the population usually consists of too many individuals (Majid, 2018). Because the number of populations in the study cannot be known, this type of population is an infinite population. Defined by Etikan & Babatope (2019) that infinite population is a population in which the number of items or subjects is not can be calculated completely. The number of samples in this study is 348 respondents. The sampling technique used is multi-stage sampling. In the first stage. The sample is determined using Proportional Sampling, this is done to determine the sample from each regency/municipality in South Sumatra. South Sumatra Province is one of the provinces with the largest Muslim population. So it is interesting to study more deeply regarding financial decisions in the millennial generation. Then, the next sample determination is accidental sampling.

Table 2. Research Sample

No	Regency/Municipality	Sample
1	Ogan Komering Ulu	13
2	Ogan Komering Ulu Timur	9
3	Ogan Komering Ulu Selatan	15
4	Ogan Komering Ilir	17
5	Muara Enim	18
6	Lahat	12
7	Musi Rawas	8
8	Musi Banyuasin	12
9	Banyuasin	15
10	Empat Lawang	8
11	Palembang	64
12	Ogan Ilir	36
13	Pagar Alam	27
14	Lubuk Linggau	26
15	Prabumulih	36
16	Panungkal Abab Lematang Ilir	24
17	Musi Rawas Utara	8
	<b>Total</b>	<b>348</b>

**Operational Definition and Data Collection Techniques**

Financial decisions are decisions about improving one's finances, whether it's a decision to invest, save, or the like. Islamic Financial Literacy is a person's knowledge, skills, and attitudes in addressing and managing his finances based on Islamic law. This study involves financial knowledge, financial attitudes, and financial behavior as a measuring dimension of Islamic financial literacy that refers to the OECD (Atkinson & Messy, 2012). Meanwhile, Islamic branding is the use of product names produced by a company related to Islam. The indicators used in this study consist of 4, namely the importance of brands,

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brand familiarity, consumer trust, and halal labels (Yunus et al., 2014). 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. Questionnaires were distributed through google forms which were distributed with the help of the research team. The results of the distribution, collected more than 348 questionnaires were collected. Then, filtered by district/city and respondent criteria (millennial generation & have been or are currently customers of Islamic banking).

#### **Data analysis technique**

The data analysis used to test the hypothesis is the analysis of Structure 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. PLS was chosen because it is able to test formative and reflective SEM models with different indicator measurement scales in one model. 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. If the direct effect is not significant and the indirect effect is significant then this includes full mediation (Nitzl et al., 2016). Meanwhile, if the direct effect is significant and the indirect effect is significant, then this includes partial mediation (Nitzl et al., 2016).

## **Result and Discussion**

#### **Deskriptive Statistics**

Descriptive statistics were analyzed using the SPSS application. The results of the analysis show that the average financial decision and Islamic branding variables are quite high. Meanwhile, the average Islamic financial literacy variable is high. For more details can be seen in the following table.

Tabel 3. Deskriptive Statistics Analysis

<b>Criteria</b>	<b>Financial Decision</b>	<b>Islamic Financial Literacy</b>	<b>Islamic Branding</b>
Minimum	2,00	2,78	2,00
Maximum	5,00	5,00	5,00
Mean	3,93	4,06	3,99
Stand. Deviation	0,65	0,62	0,73

#### **Respondent Demography**

The demographics of the respondents described in the questionnaire are the domicile of the respondents consisting of 14 districts/cities; the age of the millennial generation respondents is divided into 3 categories; gender; education level of respondents which is divided into 3 categories, category 1 is education up to high school, category 2 education is up to bachelor degree, and category 3 education is up to postgraduate; and respondents based on religion. Demographics of respondents can be seen in table 2 below.

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Tabel 4. Summary Respondent Demography

No	Characteristics Responden	Frequency (N)	Percentage (%)
<b>1</b>	<b>Regency/Municipality</b>		
1)	Ogan Komering Ulu	13	3,7
2)	Ogan Komering Ulu Timur	9	2,6
3)	Ogan Komering Ulu Selatan	15	4,3
4)	Ogan Komering Ilir	17	4,9
5)	Muara Enim	18	5,2
6)	Lahat	12	3,4
7)	Musi Rawas	8	2,3
8)	Musi Banyuasin	12	3,4
9)	Banyuasin	15	4,3
10)	Empat Lawang	8	2,3
11)	Palembang	64	18,4
12)	Ogan Ilir	36	10,3
13)	Pagar Alam	27	7,8
14)	Lubuk Linggau	26	7,5
15)	Prabumulih	36	10,3
16)	Panungkal Abab Lematang Ilir	24	7
17)	Musi Rawas Utara	8	2,3
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>2</b>	<b>Age</b>		
1)	27 – 31 years old	138	39,7
2)	32 – 36 years old	128	36,8
3)	37 – 41 years old	82	23,5
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>3</b>	<b>Sex</b>		
1)	Male	201	57,8
2)	Female	147	42,2
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>4</b>	<b>Education</b>		
1)	Up to High School	61	17,5
2)	Bachelor	240	69,0
3)	Postgraduate	47	13,5
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>5</b>	<b>Religion</b>		
	Islam	348	100
	Christianity	0	0
	Hinduism	0	0
	Buddhism	0	0
	Confucian	0	0
	<b>Total</b>	<b>348</b>	<b>100</b>

#### Reliability Test

Reliability testing uses Cronbach's Alpha and Composite Reliability (CR) values, with the provisions according to Hair et al. (2014) that the reliability value measured using Composite Reliability (CR) with a threshold for the accepted value is above 0.7. (Chin et

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Understanding the Determinants of Financial Decision in Generation Millennial: Does Islamic Branding Matter?

al., 2003) also state that the data is said to be reliable if the Cronbach's Alpha and Composite Reliability values are greater than 0.6 and 0.7. The results of the reliability analysis in table 3 show that all reliable variables are distributed.

Table 5. Reliability test results

Variabel	Cronbach's Alpha (CA > 0,6)	Composite Reliability (CR > 0,7)
Financial Decision	0,906	0,928
Islamic Branding	0,923	0,940
Islamic Financial Literacy	0,962	0,967

### Validity Test

The validity test is based on the provisions according to Hair et al. (2014) which states that the construct validity value is measured using the Average Variance Extractor (AVE) with a score threshold above 0.6. The results of the outer loading analysis can be seen in the following table.

Table 6. Loading and AVE Score

Construct	Indicators / dimensions	Code	Loading	AVE
Islamic Financial Literacy	Financial Knowledge	IFL_1	0.934	0,768
	Financial Attitude	IFL_2	0.895	
	Financial Behavior	IFL_3	0.947	
Financial Decision	Sense of security investing in islamic banking	FD_1	0.762	0,682
	Search and update information about Islamic Banking	FD_2	0.836	
	Updating knowledge of investment analysis in Islamic Banking	FD_3	0.860	
	Contifidence in the products offered by Islamic Banking	FD_4	0.781	
	Set on savings product	FD_5	0.851	
	Always use Islamic Banking Product in various economic	FD_6	0.862	
Islamic Branding	Importance of brand	IB_1	0.851	0,723
	Brand Familiarity	IB_2	0.811	
	Customer trust	IB_3	0.884	
	Convenience in trasacting	IB_4	0.816	
	Halal label	IB_5	0.874	
	Hala brand into consideration	IB_6	0.864	



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**Model Fit**

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

Table 7. Model Fit Result

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.

**Hypothesis Test**

Table 5 shows the results of hypothesis testing, which consists of two, namely the results of hypothesis testing of the direct influence of Islamic financial literacy on financial decisions, and the results of hypothesis testing of the indirect influence of Islamic financial literacy on financial decisions with Islamic branding as a mediator. The null hypothesis is rejected if the p-value is lower than 0.05 or the t-statistic value is greater than 1.65. On the other hand, the null hypothesis is accepted if the p value is higher than 0.05 or the t statistic is less than 1.65. The results of hypothesis testing can be seen in the following table.

Table 8. Summary of Hypothesis Test Results

<b>Direct Relationship</b>				
Construct Relationship	Code	Coef.	P Values	Supported?
Islamic Financial Literacy -> Islamic Branding	-	0.651	0.000	Not Hypothesized
Islamic Branding -> Financial Decision	-	0.348	0.000	Not Hypothesized
Islamic Financial Literacy -> Financial Decision	C <sub>1</sub> +	0.351	0.000	Yes
<b>Indirect Relationship</b>				
Islamic Financial Literacy -> Islamic Branding -> Financial Decision	C <sub>2</sub> +	0.227	0.000	Yes

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

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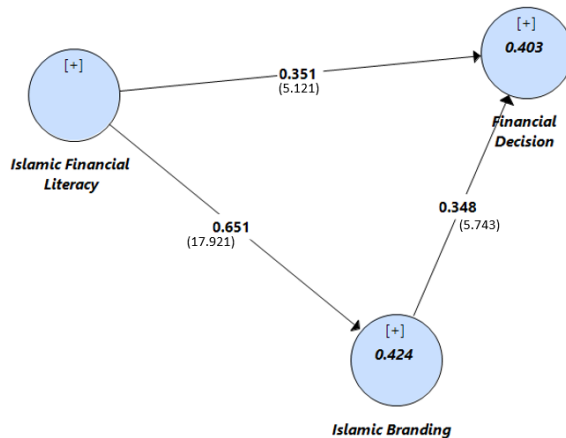


Figure 2. Full Model SEM Path Analysis

**Discussion**

This study aims to analyze what factors can influence the financial decisions of the millennial generation 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*, financial knowledge, financial attitude, and financial behavior have an influence on the Islamic financial literacy of the millennial generation in South Sumatra. This result is in line with Rai et al. (2019) which states that financial knowledge, financial behavior, and financial attitude are very important factors to test financial literacy. Furthermore, Rai et al. (2019) stated that financial knowledge is not the only determinant of financial literacy, financial attitudes and financial behavior are also very important and have a positive impact on financial literacy.

*Second*, 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 & Sholehkah

**Commented [HS6]:** In this part, there is no elaboration from theoretical lens. Please add more discussion from theory used in formulating the research model

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Actually I have suggested so, but authors choose to revise the research model to be 1st order approach look like.

**Commented [HS8R7]:** If the authors want to sustain with this discussion, please do 2nd order analysis as it is the fittest one rather than the current form given islamic financial literacy is constructed by some dimension. Failing to address this issue might change our consideration to reject this paper.

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(2020); Utami & Sitanggang (2021); and Wijanarko & Rachmawati (2020) which states that financial literacy has an impact on financial decisions. Hidayati et al. (2021) also found that financial attitudes & Financial Knowledge had an effect on financial decisions. Komara et al. (2018) states that financial literacy scores are strongly correlated with financial decision making. Investment-related decisions related to the capacity to acquire knowledge and learn concepts about how the stock market works will improve with education (Fong et al., 2021).

*Third*, Islamic financial literacy has an indirect relationship to the financial decisions of the millennial generation in South Sumatra through Islamic branding as a mediator. This finding shows that directly Islamic financial literacy has a positive and significant impact on financial decisions, besides indirectly Islamic financial literacy has a positive and significant impact on the financial decisions of millennials in South Sumatra. Islamic branding has a mediating role in part on 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. The results of the research by Kusuma et al. (2021) show that Islamic branding has an effect on investment decisions. In addition, the findings of Rozikin & Sholekhah (2020) also state that brand image affects the decision to save.

## Conclusion

This study examines the role of Islamic branding as a mediator on the influence of Islamic financial literacy on financial decisions with the object of research being the millennial generation in South Sumatra. Financial literacy has a positive and significant effect on financial decisions directly or indirectly through Islamic branding as a mediator. These findings contribute to the literature especially on 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 branding 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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**Commented [HS9]:** Please highlight the research implications both practically and theoretically

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Article Type: Research Paper

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### Abstract:

**Research aims:** This study aims to determine financial decisions of millennial generation 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. The research samples include the millennial generation in South Sumatra filtered using a 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 (partial mediation) the influence of Islamic financial literacy on financial decisions.

**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. Specifically, Islamic branding can be recommended as one of the sharia banking business strategies to improve the financial decisions of the millennial generation.

**Research limitation/Implication:** This study was only conducted in south Sumatera, making the result is not quite strong in terms external validity.

### Keywords:

Islamic Financial Literacy, Financial Decision, Islamic Branding

## 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 (table 1). Almost all banks provide sharia services, both in the form of sharia business units and spin offs.

Table 1. Global Islamic Financial Asset Distribution

Islamic Financial Institutions	Asset Total	Share of Total Global Islamic Financial Assets	Number of Institutions
Islamic Banking	2349	70%	527
Sukuk	631	19%	3805
Other Sharia Non Bank Financial Institutions	178	5%	1698
Sharia Mutual Fund	154	5%	745
Sharia Insurance	62	2%	323

Source: Indonesia Islamic Financial Development Report, 2021

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. Consistent with the opinion of Bajaj & Kaur (2021) which states that it is important to have knowledge of financial products and services to make rational financial decisions. Upadana & Herawati (2020) also state that financial knowledge can make it easier for a person when faced with various investment choices.

The results of the financial services authority or *Otoritas Jasa Keuangan* (OJK) survey in 2019 listed in the 2021-2025 Indonesian Financial Literacy National Strategy Report (2021-2025) stated that the average Islamic financial literacy index in Indonesia was 8.93%. The highest Islamic financial literacy index by province is DKI Jakarta Province with an index of 34.03%. Meanwhile, the Islamic financial literacy index in South Sumatra Province is only 15.97%. This index is lower than Riau Province at 21.99%. In fact, according to Central Statistics Agency (BPS), the population based on religion in 2021, the Muslim population in South Sumatra is more than the Muslim population in Riau. The total Muslim population

Commented [HS1]: In billion or trillion?

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in South Sumatra Province is 8,268,874 people and the Muslim population in Riau Province is 5,622,998 people.

The millennial generation is the generation born from 1980 to 1995. 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. This is supported by Rashid et al. (2020) that people with high financial literacy have the ability to make investment decisions and are able to engage with various financial information. A person with low financial literacy, will contribute to making poor financial choices and this will harm individuals and society. This supported by Thomas & Subhashree (2020) that if financial literacy is low, it will cause someone to make the wrong decision. 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, brands can also determine a person's choice of a product Agarwal et al. (2021). Moreover, the brand is related to religious matters. For a Muslim, the decision to choose products based on sharia is a form of faith and piety (D. G. Kusuma et al., 2021). Therefore, apart from considering the benefits, Muslim customers must also consider it from a sharia perspective (D. G. Kusuma et al., 2021). According to Brand Finance cited by Vallian (2015) that for banks, having a strong brand allows companies to attract and retain customers. In addition, the findings of Dzogbenuku et al. (2022) also state that due to the influence of branding on investors, the return on investment decision significantly influences investment decisions. Consistent with this opinion, Ahmad et al. (2011) stated that it seems that the importance of religion is the main driving force in choosing Islamic banking, brand being a very important part in deciding the election.

Basically, research discussing Islamic branding has been carried out a lot (Afrianty & Agustina, 2020; A. M. Kusuma et al., 2020; Nasrullah, 2015; Hatta et al., 2022; Jalil & Rahman, 2014), but these studies discuss very little about Islamic branding in relation to increasing financial decisions of the millennial generation. Most researchers discuss Islamic branding in relation to consumer decisions in choosing halal products other than banking institutions. Through this research, it will be clear what the role of Islamic branding is in Islamic banking. In addition, the results of this study can also provide opportunities for companies to develop strategies and make appropriate policies in order to increase understanding of the financial decision-making process, as well as attract investors to be able to invest and save in Islamic banking.

**Commented [HS4]:** Please add research aim and contribution of the research, both practically and theoretically

## 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). Furthermore, Komara et al. (2018) also 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. This is closely related to the Theory of Planned Behavior popularized by (Ajzen, 1991), the theory introduces the relationship between belief and behavior. The basic assumption of the theory of planned behavior is that humans are rational beings and use possible information systematically. People think about the implications of their actions before deciding whether or not to perform a particular behavior. The theory of planned behavior analyzes consumer attitudes, subjective norms, and perceived behavioral control of consumers. In connection with this research, an individual who feels confident will determine his attitude to be able to behave whether he decides to invest/save or not in Islamic banking.

### Islamic Financial Literacy on Financial Decisions

The Financial Services Authority (OJK) states that financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. 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) 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?

**Commented [HS5]:** Mohon fokus keps theory of planned behavior saja.... Financial theory dieliminasi saja. Sitasinya kurang banyak...stdaknya ada 5 sitasi di banian ini

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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. (Candra 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.

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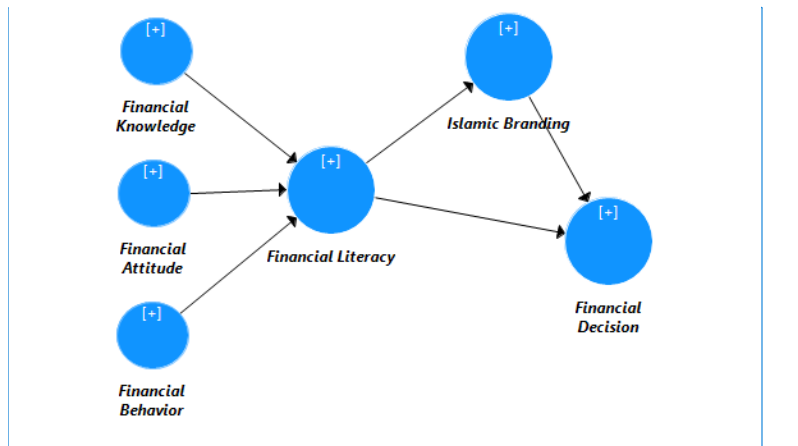


Figure 1. Research Concept Framework

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## Research Method

### Population, Sample, and Data Collection Techniques

This research is quantitative research. Gay et al., (2009:5) state that quantitative research relies on the collection and analysis of numerical 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.

### Population, Sample, and Data Collection Techniques

A population is a group of individuals, objects, items, or entities with the same characteristics or attributes Etikan & Babatope, 2019). In connection with this understanding, the population in this study is all people aged between 27 years to 42 years. While the sample is defined as representative of the population (Etikan & Babatope, 2019). The aim of this research study is to generalize the findings of the study from the sample to the desired population Majid (2018). Sampling is a very important tool for research studies because the population usually consists of too many individuals (Majid, 2018). Because the number of populations in the study cannot be known, this type of population is an infinite population. Defined by Etikan & Babatope (2019) that infinite population is a population in which the number of items or subjects is not can be calculated completely. The number of samples in this study is 348 respondents. The sampling technique used is multi-stage sampling. In the first stage. The sample is determined using Proportional Sampling, this is done to determine the sample from each regency/municipality in South Sumatra. South Sumatra Province is one of the provinces with the largest Muslim population. So it is interesting to study more deeply regarding

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financial decisions in the millennial generation. Then, the next sample determination is accidental sampling.

Table 2. Research Sample

No	Regency/Municipality	Sample
1	Ogan Komering Ulu	13
2	Ogan Komering Ulu Timur	9
3	Ogan Komering Ulu Selatan	15
4	Ogan Komering Ilir	17
5	Muara Enim	18
6	Lahat	12
7	Musi Rawas	8
8	Musi Banyuasin	12
9	Banyuasin	15
10	Empat Lawang	8
11	Palembang	64
12	Ogan Ilir	36
13	Pagar Alam	27
14	Lubuk Linggau	26
15	Prabumulih	36
16	Panungkal Abab Lematang Ilir	24
17	Musi Rawas Utara	8
	<b>Total</b>	<b>348</b>

#### Operational Definition and Data Collection Techniques

Financial decisions are decisions about improving one's finances, whether it's a decision to invest, save, or the like. Islamic Financial Literacy is a person's knowledge, skills, and attitudes in addressing and managing his finances based on Islamic law. This study involves financial knowledge, financial attitudes, and financial behavior as a measuring dimension of Islamic financial literacy that refers to the OECD (Atkinson & Messy, 2012). Meanwhile, Islamic branding is the use of product names produced by a company related to Islam. The indicators used in this study consist of 4, namely the importance of brands, brand familiarity, consumer trust, and halal labels (Yunus et al., 2014). 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. Questionnaires were distributed through google forms which were distributed with the help of the research team. The results of the distribution, collected more than 348 questionnaires were collected. Then, filtered by district/city and respondent criteria (millennial generation & have been or are currently customers of Islamic banking).

#### Data analysis technique

The data analysis used to test the hypothesis is the analysis of Structure 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. PLS was chosen because it is able to test formative and reflective SEM models with different indicator measurement scales in one model. 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. If the direct effect is not significant and the indirect effect is significant then this includes full mediation (Nitzl et al., 2016). Meanwhile, if the direct effect is significant and the indirect effect is significant, then this includes partial mediation (Nitzl et al., 2016).

## Result and Discussion

Descriptive statistics were analyzed using the SPSS application. The results of the analysis show that the average financial decision and Islamic branding variables are quite high. Meanwhile, the average Islamic financial literacy variable is high. For more details can be seen in the following table.

Tabel 3. Descriptive Statistics Analysis

Criteria	Financial Decision	Islamic Financial Literacy	Islamic Branding
Minimum	2,00	2,78	2,00
Maximum	5,00	5,00	5,00
Mean	3,93	4,06	3,99
Stand. Deviation	0,65	0,62	0,73

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 Mohon lakukan revisi pada kasus serupa

### Respondent Demography

The demographics of the respondents described in the questionnaire are the domicile of the respondents consisting of 14 districts/cities; the age of the millennial generation respondents is divided into 3 categories; gender; education level of respondents which is divided into 3 categories, category 1 is education up to high school, category 2 education is up to bachelor degree, and category 3 education is up to postgraduate; and respondents based on religion. Demographics of respondents can be seen in table 2 below.

Tabel 4. Summary Respondent Demography

No	Characteristics Responden	Frequency (N)	Percentage (%)
<b>1</b>	<b>Regency/Municipality</b>		
1)	Ogan Komering Ulu	13	3,7
2)	Ogan Komering Ulu Timur	9	2,6
3)	Ogan Komering Ulu Selatan	15	4,3
4)	Ogan Komering Ilir	17	4,9
5)	Muara Enim	18	5,2
6)	Lahat	12	3,4
7)	Musi Rawas	8	2,3
8)	Musi Banyuasin	12	3,4
9)	Banyuasin	15	4,3
10)	Empat Lawang	8	2,3
11)	Palembang	64	18,4
12)	Ogan Ilir	36	10,3
13)	Pagar Alam	27	7,8
14)	Lubuk Linggau	26	7,5

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15) Prabumulih	36	10,3
16) Panungkal Abab Lematang Ilir	24	7
17) Musi Rawas Utara	8	2,3
<b>Total</b>	<b>348</b>	<b>100</b>
<b>2 Age</b>		
1) 27 – 31 years old	138	39,7
2) 32 – 36 years old	128	36,8
3) 37 – 41 years old	82	23,5
<b>Total</b>	<b>348</b>	<b>100</b>
<b>3 Sex</b>		
1) Male	201	57,8
2) Female	147	42,2
<b>Total</b>	<b>348</b>	<b>100</b>
<b>4 Education</b>		
1) Up to High School	61	17,5
2) Bachelor	240	69,0
3) Postgraduate	47	13,5
<b>Total</b>	<b>348</b>	<b>100</b>
<b>5 Religion</b>		
Islam	348	100
Christianity	0	0
Hinduism	0	0
Buddhism	0	0
Confucian	0	0
<b>Total</b>	<b>348</b>	<b>100</b>

### Reliability Test

Reliability testing uses Cronbach's Alpha and Composite Reliability (CR) values, with the provisions according to Hair et al. (2014) that the reliability value measured using Composite Reliability (CR) with a threshold for the accepted value is above 0.7. (Chin et al., 2003) also state that the data is said to be reliable if the Cronbach's Alpha and Composite Reliability values are greater than 0.6 and 0.7. The results of the reliability analysis in table 3 show that all reliable variables are distributed.

Table 5. Reliability test results

Variabel	Cronbach's Alpha (CA > 0,6)	Composite Reliability (CR > 0,7)
Financial Decision	0,906	0,928
Islamic Branding	0,923	0,940
Islamic Financial Literacy	0,962	0,967

### Validity Test

The validity test is based on the provisions according to Hair et al. (2014) which states that the construct validity value is measured using the Average Variance Extracter (AVE) with

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a score threshold above 0.6. The results of the outer loading analysis can be seen in the following table.

Table 6. Loading and AVE Score

Construct	Indicators / dimensions	Code	Loading	AVE	
Islamic Financial Literacy	<b>Financial Knowledge</b>			0,859	
	- Knowledge of investment	FK_1	0,936		
	- Knowledge of financial management	FK_2	0,915		
		- Knowledge of expenses and income	FK_3	0,929	
		<b>Financial Attitude</b>			0,826
		- Money safety	FA_1	0,858	
		- Personal finance orientation	FA_2	0,945	
		- Assessing personal finances	FA_3	0,922	
		<b>Financial Behavior</b>			0,849
		- Make a budget for expenses and spending	FB_1	0,937	
		- Provide funds for unexpected expenses	FB_2	0,908	
		- Pay bills on time	FB_3	0,919	
Financial Decision	Sense of security investing in islamic banking	FD_1	0.762	0,682	
	Search and update information about Islamic Banking	FD_2	0.836		
	Updating knowledge of investment analysis in Islamic Banking	FD_3	0.860		
	Contifidence in the products offered by Islamic Banking	FD_4	0.781		
	Set on savings product	FD_5	0.851		
	Always use Islamic Banking Product in various economic	FD_6	0.862		
Islamic Branding	Importance of brand	IB_1	0.853	0,723	
	Brand Familiarity	IB_2	0.808		
	Customer trust	IB_3	0.884		
	Convenience in trasacting	IB_4	0.817		
	Halal label	IB_5	0.873		
	Hala brand into consideration	IB_6	0.865		

**Model Fit**

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

Table 7. Model Fit Result

Fit Model Criteria	Estimated Model
SRMR	0.053
d_ULS	0.337
d_G	0.268



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Chi-Square	509.390
NFI	0.879
rms Theta	0.184

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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.

### Hypothesis Test

Table 5 shows the results of hypothesis testing, which consists of two, namely the results of hypothesis testing of the direct influence of Islamic financial literacy on financial decisions, and the results of hypothesis testing of the indirect influence of Islamic financial literacy on financial decisions with Islamic branding as a mediator. The null hypothesis is rejected if the p-value is lower than 0.05 or the t-statistic value is greater than 1.65. On the other hand, the null hypothesis is accepted if the p value is higher than 0.05 or the t statistic is less than 1.65. The results of hypothesis testing can be seen in the following table.

Table 8. Summary of Hypothesis Test Results

<b>Direct Relationship</b>				
<b>Construct Relationship</b>	<b>Code</b>	<b>Coef.</b>	<b>P Values</b>	<b>Supported?</b>
Financial Knowledge → Islamic Financial Literacy	-	0,361	0,000	Not Hypothesized
Financial Knowledge → Islamic Financial Literacy	-	0,337	0,000	Not Hypothesized
Financial Knowledge → Islamic Financial Literacy	-	0,337	0,000	Not Hypothesized
Islamic Financial Literacy → Islamic Branding	-	0,639	0,000	Not Hypothesized
Islamic Branding → Financial Decision	-	0.362	0.000	Not Hypothesized
Islamic Financial Literacy → Financial Decision	C <sub>1+</sub>	0.351	0.000	Yes
<b>Indirect Relationship</b>				
Islamic Financial Literacy → Islamic Branding → Financial Decision	C <sub>2+</sub>	0.227	0.000	Yes

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

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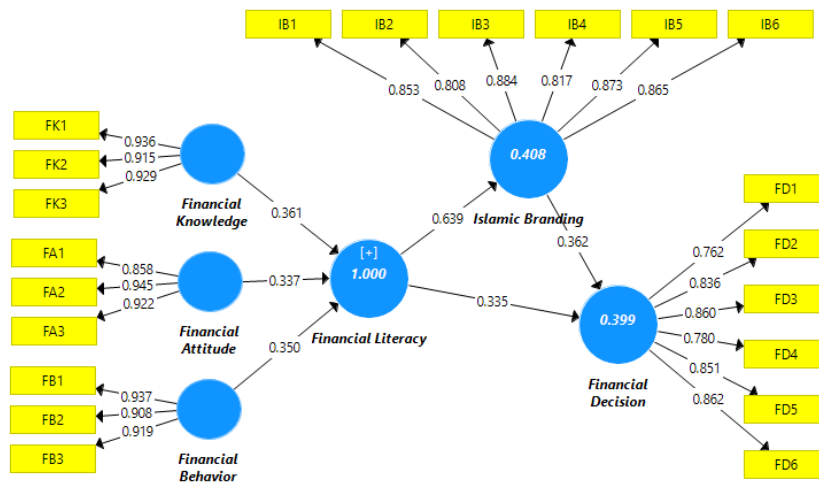


Figure 2. Full Model SEM Path Analysis

**Discussion**

This study aims to analyze what factors that influence the financial decisions of the millennial generation 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, financial knowledge, financial attitude, and financial behavior significantly construct the Islamic financial literacy variate of the millennial generation. This result is in line with Rai et al. (2019) which states that financial knowledge, financial behavior, and financial attitude are very important factors in establishing financial literacy. Furthermore, Rai et al. (2019) stated that financial knowledge is not the only determinant of financial literacy, financial attitudes and financial behavior are also very important and have a positive impact on financial literacy. Soroshian & Teck (2014) stated that a person's financial attitude has a positive effect on the level of financial literacy. A financially literate person will have some basic knowledge of key financial concepts and the ability to apply numeracy skills in financial situations. Likewise, with financial attitudes, an individual who likes to prioritize short-term desires over long-term security is unlikely to provide emergency savings or make long-term plans. Financial behavior is also a very important part of financial literacy. An individual who is financially literate is

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positively driven by behaviors such as planning expenses and financial security (Atkinson & Messy, 2012). Ajzen (1991) also states that financial attitudes are the result of certain behaviors of decision makers and these attitudes can be rooted through economic and non-economic beliefs. According to the OECD (2013), financial behavior is very important and is a fundamental component of financial literacy. Howlett et al (2008) stated that individuals who have financial knowledge are more financially literate and able to handle finances efficiently.

Second, Islamic financial literacy has a direct positive and significant impact on the financial decisions of the millennial generation. In this study, Islamic financial literacy is formulated using the dimensions of financial knowledge, financial attitude, and financial behavior. This means that an individual who has knowledge of investment, financial management and good knowledge of expenses and income will be more financially literate and can make the right financial decisions. In addition, the right decision can also be made if the individual is financially literate and the perception of financial security, financial orientation, and financial assessment is also good. In terms of financial behavior, if budgeting, availability of reserve funds, and timely bill payments are managed properly, it will also have an impact on good financial literacy and good financial decision making as well. These findings support research conducted by Baihaqqy et al., (2020); Pangestu & Karnadi (2020); Prasad & Nataraj, (2017); Rozikin & Sholekhah (2020); Utami & Sitanggang (2021); and Wijanarko & Rachmawati (2020) which states that financial literacy has an impact on financial decisions. Hidayati et al. (2021) also found that financial attitudes & Financial Knowledge had an effect on financial decisions. Komara et al. (2018) states that financial literacy scores are strongly correlated with financial decision making. Investment-related decisions related to the capacity to acquire knowledge and learn concepts about how the stock market works will improve with education (Fong et al., 2021). Lusardi & Mitchell (2007) found that an individual who is financially illiterate is less likely to plan for retirement and accumulate wealth. In addition, Bhushan (2014) also states that awareness and investment preferences are highly dependent on individual financial literacy. Lusardi (2008) also states that financial literacy can be a tool to increase consumer base in making decisions. Suderlund & Eriksson (2020) also stated that individuals who have high knowledge will greatly contribute to their decision to save.

Third, Islamic financial literacy has an indirect relationship to the financial decisions of the millennial generation through Islamic branding as a mediator. 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. Wijanarko & Rachmawati (2020) Islamic Branding influences the decision to choose Islamic financial services. The results of the research by Kusuma et al. (2021) show that Islamic branding has an effect on investment decisions. In addition, the findings of Rozikin & Sholekhah (2020) also state that brand image affects the decision to save. This is also related to the Theory of Planned Behavior developed by Ajzen (1991), an individual will decide to invest or save in Islamic banking when the individual feels confident. This confidence is generated because they understand their finances and are supported by the existence of trustworthy branding.

## Conclusion

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This study examines the role of Islamic branding as a mediator on the influence of Islamic financial literacy on financial decisions with the research object being the millennial generation in South Sumatra with the amount of data collected as many as 348 respondents. The results revealed that Islamic financial literacy has a positive and significant effect on 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 decisions. Islamic financial literacy which is formed by financial knowledge, financial attitude, and financial behavior can improve financial decisions among millennials. Customers who have good financial knowledge, financial attitude and financial behavior will support increased Islamic financial literacy and prevent customers from hedonism behavior. In addition, financial decisions among millennials are also influenced by Islamic Branding. Islamic branding is one of the determinants of a prospective customer in deciding whether to save, invest and transact using Islamic banking. Someone who has high Islamic financial literacy and is supported by good Islamic branding will improve financial decisions. Therefore, Islamic branding 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.

This finding has implications for Islamic banking companies to be able to consider branding that is already attached to the company. In addition, companies must also maintain and improve the services and products offered so that they are pure sharia. Thus, customers will always be loyal to be able to save, invest, and use other banking transaction services. In addition, this finding also has implications for customers as a very important part of the company. Through sharia products and services offered by banks, customers can make the right choices in saving, investing and doing transactions that are far from usury.

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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# Determinants of Financial Decision of Millennial Generation in Islamic Banking: Does Islamic Branding Matter?



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## Abstract:

**Research aims:** This study aims to determine financial decisions of millennial generation 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. The research samples include the millennial generation in South Sumatra filtered using a 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 (partial mediation) the influence of Islamic financial literacy on financial decisions.

**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. Specifically, Islamic branding can be recommended as one of the sharia banking business strategies to improve the financial decisions of the millennial generation.

**Research limitation/Implication:** This study was only conducted in south sumatera, making the result is not quite strong in terms external validity.

## Keywords:

Islamic Financial Literacy, Financial Decision, Islamic Branding

## 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 (table 1). Almost all banks provide sharia services, both in the form of sharia business units and spin offs.

Table 1. Global Islamic Financial Asset Distribution

Islamic Financial Institutions	Asset Total (Billion US Dollars)	Share of Total Global Islamic Financial Assets	Number of Institutions
Islamic Banking	2349i	70%	527
Sukuk	631	19%	3805
Other Sharia Non Bank Financial Institutions	178	5%	1698
Sharia Mutual Fund	154	5%	745
Sharia Insurance	62	2%	323

Source: Indonesia Islamic Financial Development Report, 2021

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. Consistent with the opinion of Bajaj and Kaur (2021) which states that it is important to have knowledge of financial products and services to make rational financial decisions. Upadana and Herawati (2020) also state that financial knowledge can make it easier for a person when faced with various investment choices.

Islamic financial literacy in South Sumatra Province is still low. This is evident from the results of a survey conducted by the Financial Services Authority (OJK) in 2019. The survey found that nationally the average Islamic financial literacy index is only 8.93%. Meanwhile, the Islamic financial literacy index in South Sumatra Province was 15.97% and lower than the Islamic financial literacy index in Riau Province which was 21.99%. This identifies that even though the South Sumatra Province has a larger Muslim population than the Riau Province, it does not guarantee a high average Islamic financial literacy index in the South Sumatra Province.

The millennial generation is the generation born from 1980 to 1995. 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. This is supported by Rashid et al. (2020) that people with high financial literacy have the ability to make investment decisions and are able to engage with various financial information. A person with low financial literacy, will contribute to making poor financial choices and this will harm individuals and society. This supported by Thomas and Subhashree (2020) that if financial literacy is low, it will cause someone to make the wrong decision. 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, brands can also determine a person's choice of a product Agarwal et al. (2021). Moreover, the brand is related to religious matters. For a Muslim, the decision to choose products based on sharia is a form of faith and piety (D. G. Kusuma et al., 2021). Therefore, apart from considering the benefits, Muslim customers must also consider it from a sharia perspective (D. G. Kusuma et al., 2021). According to Brand Finance cited by Vallian (2015) that for banks, having a strong brand allows companies to attract and retain customers. In addition, the findings of Dzugbenuku et al. (2022) also state that due to the influence of branding on investors, the return on investment decision significantly influences investment decisions. Consistent with this opinion, Ahmad et al. (2011) stated that it seems that the importance of religion is the main driving force in choosing Islamic banking, brand being a very important part in deciding the election.

Basically, research discussing Islamic branding has been carried out a lot (Afrianty and Agustina, 2020; A. M. Kusuma et al., 2020; Nasrullah, 2015; Hatta et al., 2022; Jalil and Rahman, 2014), but these studies discuss very little about Islamic branding in relation to increasing financial decisions of the millennial generation. Most researchers discuss Islamic branding in relation to consumer decisions in choosing halal products other than banking institutions. Therefore, this study aims to identify and analyze the role of Islamic branding as a moderator of the influence of Islamic financial literacy on financial decisions. Theoretically, the results of this study can add insight and add references for further researchers, especially with regard to the financial decisions of the millennial generation. Practically the results of this study can provide opportunities for companies to develop strategies and make appropriate policies in order to increase

understanding of the financial decision-making process, as well as attract investors to be able to invest and save in Islamic banking.

## **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). Financial decisions are closely related to the Theory of Planned Behavior. This theory is one of the most dominant theories applied in various fields of behavioral studies (Shaw and Shiu, 2000). Theory of Planned Behavior popularized by (Ajzen, 1991), the theory introduces the relationship between beliefs and behavior. The basic assumption of the theory of planned behavior is that humans are rational beings and use as much information as possible in a systematic manner. People think about the implications of their actions before deciding to do or not to do certain behaviors. The theory of planned behavior analyzes consumer attitudes, subjective norms, and perceived behavioral control of consumers. This is in line with the opinion of Hrubes et al. (2001) which states that the greater the perceived behavioral control, the stronger the intention to behave. Raut & Kumar (2018) also argue that attitude towards behavior refers to the extent to which a person has a favorable or unfavorable evaluation of his/her interest behavior. In the research Raut & Kumar (2018) also found that attitudes towards behavior, subjective norms and perceived behavioral control are significantly related to behavioral intentions. East (1993) also stated that in each case, stock demand was predicted accurately with measurable intentions. In relation to this research, an individual who feels confident will determine his attitude to be able to behave whether to decide to invest/save or not in Islamic banking.

### **Islamic Financial Literacy on Financial Decisions**

The Financial Services Authority (OJK) states that financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. 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 and Eriksson (2020) which states that a high level of knowledge will contribute to the level of savings. Lusardi (2008) 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 and 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 and Hakim (2021) dan Fauzi and Murniawaty (2020) show that interest in saving in Islamic banking is positively and significantly influenced by Islamic financial literacy. (Candra 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 and 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 and Rachmawati (2020) one of the factors that can influence a person's decision in choosing Islamic financial services is Islamic branding. Rozikin and 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.

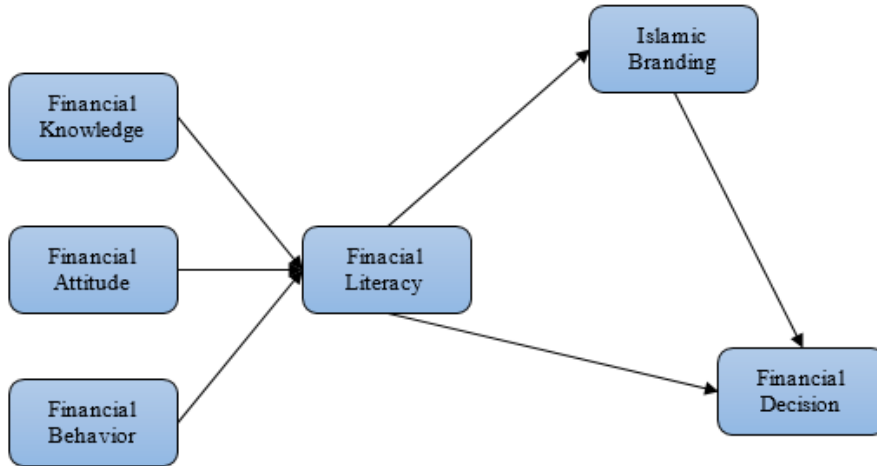


Figure 1. Research Concept Framework

## Research Method

### Population, Sample, and Data Collection Techniques

This research is quantitative research. Gay et al., (2009:5) state that quantitative research relies on the collection and analysis of numerical 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.

### Population, Sample, and Data Collection Techniques

A population is a group of individuals, objects, items, or entities with the same characteristics or attributes (Etikan and Babatope, 2019). In connection with this understanding, the population in this study is all people aged between 27 years to 42 years. While the sample is defined as representative of the population (Etikan and Babatope, 2019). The aim of this research study is to generalize the findings of the study from the sample to the desired population (Majid, 2018). Sampling is a very important tool for research studies because the population usually consists of too many individuals (Majid, 2018). Because the number of populations in the study cannot be known, this type of population is an infinite population. Defined by Etikan and Babatope (2019) that infinite population is a population in which the number of items or subjects is not can be calculated completely. The number of samples in this study is 348 respondents. The sampling technique used is multi-stage sampling. In the first stage. The sample is determined using Proportional Sampling, this is done to determine the sample from each regency/municipality in South Sumatra. South Sumatra Province is one of the provinces with the largest Muslim population. So it is interesting to study more deeply regarding



financial decisions in the millennial generation. Then, the next sample determination is accidental sampling.

Table 2. Research Sample

No	Regency/Municipality	Sample
1	Ogan Komering Ulu	13
2	Ogan Komering Ulu Timur	9
3	Ogan Komering Ulu Selatan	15
4	Ogan Komering Ilir	17
5	Muara Enim	18
6	Lahat	12
7	Musi Rawas	8
8	Musi Banyuasin	12
9	Banyuasin	15
10	Empat Lawang	8
11	Palembang	64
12	Ogan Ilir	36
13	Pagar Alam	27
14	Lubuk Linggau	26
15	Prabumulih	36
16	Panungkal Abab Lematang Ilir	24
17	Musi Rawas Utara	8
	<b>Total</b>	<b>348</b>

### Operational Definition and Data Collection Techniques

Financial decisions are decisions about improving one's finances, whether it's a decision to invest, save, or the like. Islamic Financial Literacy is a person's knowledge, skills, and attitudes in addressing and managing his finances based on Islamic law. This study involves financial knowledge, financial attitudes, and financial behavior as a measuring dimension of Islamic financial literacy that refers to the OECD (Atkinson and Messy, 2012). Meanwhile, Islamic branding is the use of product names produced by a company related to Islam. The indicators used in this study consist of 4, namely the importance of brands, brand familiarity, consumer trust, and halal labels (Yunus et al., 2014). 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. Questionnaires were distributed through google forms which were distributed with the help of the research team. The results of the distribution, collected more than 348 questionnaires were collected. Then, filtered by district/city and respondent criteria (millennial generation and have been or are currently customers of Islamic banking).

### Data analysis technique

The data analysis used to test the hypothesis is the analysis of Structure Equation Modeling using PLS-SEM, where it is stated by Liao and 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. PLS was chosen because it is able to test formative and reflective SEM models with different indicator measurement scales in one model. 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. If the direct effect is not significant and the indirect effect is significant then this includes full mediation (Nitzl et al., 2016). Meanwhile, if the direct effect is significant and the indirect effect is significant, then this includes partial mediation (Nitzl et al., 2016).

## Result and Discussion

Descriptive statistics were analyzed using the SPSS application. The results of the analysis show that the average financial decision and Islamic branding variables are quite high. Meanwhile, the average Islamic financial literacy variable is high. For more details can be seen in the following table.

Tabel 3. Descriptive Statistics Analysis

Criteria	Financial Decision	Islamic Financial Literacy	Islamic Branding
Minimum	2.00	2.78	2.00
Maximum	5.00	5.00	5.00
Mean	3.93	4.06	3.99
Stand. Deviation	0.65	0.62	0.73

### Respondent Demography

The demographics of the respondents described in the questionnaire are the domicile of the respondents consisting of 14 districts/cities; the age of the millennial generation respondents is divided into 3 categories; gender; education level of respondents which is divided into 3 categories, category 1 is education up to high school, category 2 education is up to bachelor degree, and category 3 education is up to postgraduate; and respondents based on religion. Demographics of respondents can be seen in table 2 below.

Tabel 4. Summary Respondent Demography

No	Characteristics Responden	Frequency (N)	Percentage (%)
<b>1</b>	<b>Regency/Municipality</b>		
	1) Ogan Komering Ulu	13	3,7
	2) Ogan Komering Ulu Timur	9	2,6
	3) Ogan Komering Ulu Selatan	15	4,3
	4) Ogan Komering Ilir	17	4,9
	5) Muara Enim	18	5,2
	6) Lahat	12	3,4
	7) Musi Rawas	8	2,3
	8) Musi Banyuasin	12	3,4
	9) Banyuasin	15	4,3
	10) Empat Lawang	8	2,3
	11) Palembang	64	18,4
	12) Ogan Ilir	36	10,3
	13) Pagar Alam	27	7,8
	14) Lubuk Linggau	26	7,5

No	Characteristics Responden	Frequency (N)	Percentage (%)
	15) Prabumulih	36	10,3
	16) Panungkal Abab Lematang Ilir	24	7
	17) Musi Rawas Utara	8	2,3
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>2</b>	<b>Age</b>		
	1) 27 – 31 years old	138	39,7
	2) 32 – 36 years old	128	36,8
	3) 37 – 41 years old	82	23,5
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>3</b>	<b>Sex</b>		
	1) Male	201	57,8
	2) Female	147	42,2
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>4</b>	<b>Education</b>		
	1) Up to High School	61	17,5
	2) Bachelor	240	69,0
	3) Postgraduate	47	13,5
	<b>Total</b>	<b>348</b>	<b>100</b>
<b>5</b>	<b>Religion</b>		
	Islam	348	100
	Christianity	0	0
	Hinduism	0	0
	Buddhism	0	0
	Confucian	0	0
	<b>Total</b>	<b>348</b>	<b>100</b>

### Reliability Test

Reliability testing uses Cronbach's Alpha and Composite Reliability (CR) values, with the provisions according to Hair et al. (2014) that the reliability value measured using Composite Reliability (CR) with a threshold for the accepted value is above 0.7. (Chin et al., 2003) also state that the data is said to be reliable if the Cronbach's Alpha and Composite Reliability values are greater than 0.6 and 0.7. The results of the reliability analysis in table 3 show that all reliable variables are distributed.

Table 5. Reliability test results

Variabel	Cronbach's Alpha (CA > 0,6)	Composite Reliability (CR > 0,7)
Financial Decision	0.906	0.928
Islamic Branding	0.923	0.940
Islamic Financial Literacy	0.962	0.967

### Validity Test

The validity test is based on the provisions according to Hair et al. (2014) which states that the construct validity value is measured using the Average Variance Extractor (AVE) with a score threshold above 0.6. The results of the outer loading analysis can be seen in the following table.

Table 6. Loading and AVE Score

Construct	Indicators / dimensions	Code	Loading	AVE	
Islamic Financial Literacy	<b>Financial Knowledge</b>				
	- Knowledge of investment	FK_1	0.936	0.859	
	- Knowledge of financial management	FK_2	0.915		
	- Knowledge of expenses and income	FK_3	0.929		
		<b>Financial Attitude</b>			
		- Money safety	FA_1	0.858	0.826
		- Personal finance orientation	FA_2	0.945	
	- Assessing personal finances	FA_3	0.922		
		<b>Financial Behavior</b>			
		- Make a budget for expenses and spending	FB_1	0.937	0.849
		- Provide funds for unexpected expenses	FB_2	0.908	
	- Pay bills on time	FB_3	0.919		
Financial Decision	Sense of security investing in islamic banking	FD_1	0.762	0.682	
	Search and update information about Islamic Banking	FD_2	0.836		
	Updating knowledge of investment analysis in Islamic Banking	FD_3	0.860		
	Confidence in the products offered by Islamic Banking	FD_4	0.781		
	Set on savings product	FD_5	0.851		
	Always use Islamic Banking Product in various economic	FD_6	0.862		
Islamic Branding	Importance of brand	IB_1	0.853	0.723	
	Brand Familiarity	IB_2	0.808		
	Customer trust	IB_3	0.884		
	Convenience in trasacting	IB_4	0.817		
	Halal label	IB_5	0.873		
	Hala brand into consideration	IB_6	0.865		

Meanwhile, to determine the validity of the higher order constructs, it can be seen from the outer weight value and its significance value (Hair et al., 2021; Sofyani et al., 2022). The outer weight test results shown in table 7 show that the construct values all contribute positively and are significant. Therefore, the data can be used for structural model assessment.

Table 7. Outer Weight and Significance Values

	Original Sample (O)	P Values
FA1 <- Financial Attitude	0.359	0.000
FA2 <- Financial Attitude	0.377	0.000
FA3 <- Financial Attitude	0.364	0.000
FB1 <- Financial Behavior	0.363	0.000
FB2 <- Financial Behavior	0.345	0.000
FB3 <- Financial Behavior	0.377	0.000
FD1 <- Financial Decision	0.188	0.000
FD2 <- Financial Decision	0.204	0.000
FD3 <- Financial Decision	0.207	0.000
FD4 <- Financial Decision	0.203	0.000
FD5 <- Financial Decision	0.212	0.000
FD6 <- Financial Decision	0.197	0.000
FK1 <- Financial Knowledge	0.367	0.000
FK2 <- Financial Knowledge	0.344	0.000
FK3 <- Financial Knowledge	0.367	0.000
IB1 <- Islamic Branding	0.187	0.000
IB2 <- Islamic Branding	0.212	0.000
IB3 <- Islamic Branding	0.199	0.000
IB4 <- Islamic Branding	0.184	0.000
IB5 <- Islamic Branding	0.205	0.000
IB6 <- Islamic Branding	0.190	0.000

**Model Fit**

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

Table 8. Model Fit Result

Fit Model Criteria	Estimated Model
SRMR	0.053
NFI	0.879

The above test of the fit model shows that the value of the Normed-Fit Index (NFI) is 0.879 < 0.900. 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.

**Hypothesis Test**

Table 9 shows the results of hypothesis testing, which consists of two, namely the results of hypothesis testing of the direct influence of Islamic financial literacy on financial decisions, and the results of hypothesis testing of the indirect influence of Islamic financial literacy on financial decisions with Islamic branding as a mediator. The null hypothesis is rejected if the p-value is lower than 0.05 or the t-statistic value is greater than 1.65. On the other hand, the null hypothesis is accepted if the p value is higher than 0.05 or the t statistic is less than 1.65. The results of hypothesis testing can be seen in the following table.

Table 9. Summary of Hypothesis Test Results

Direct Relationship				
Construct Relationship	Code	Coef.	P Values	Supported?
Islamic Branding -> Financial Decision	-	0.362	0.000	Not Hypothesized
Islamic Financial Literacy -> Financial Decision	C <sub>1+</sub>	0.351	0.000	Yes
Indirect Relationship				
Islamic Financial Literacy -> Islamic Branding -> Financial Decision	C <sub>2+</sub>	0.227	0.000	Yes

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

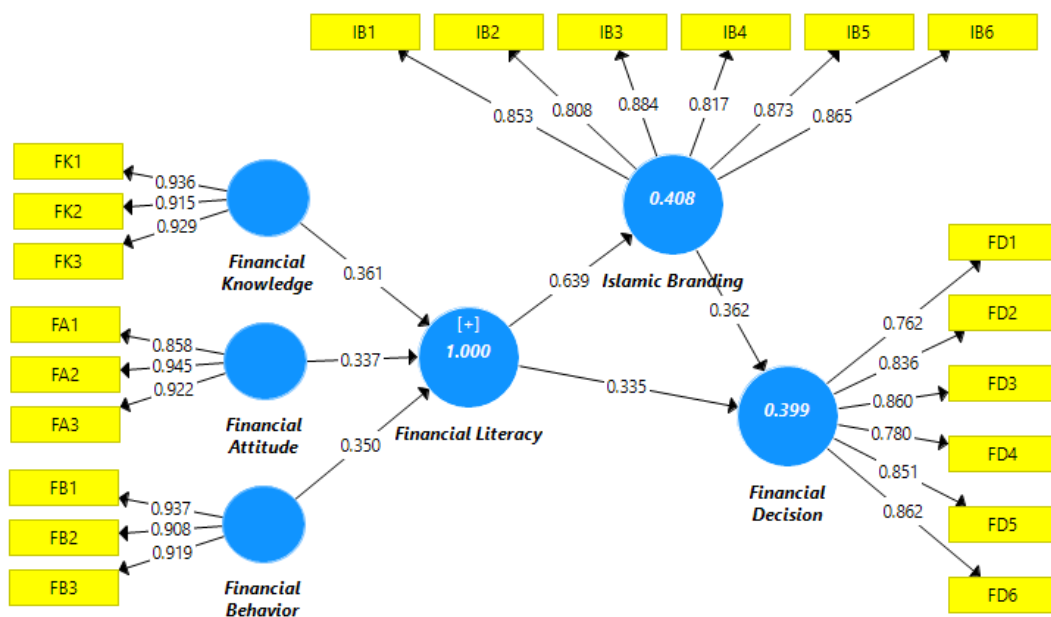


Figure 2. Full Model SEM Path Analysis

## **Discussion**

This study aims to analyze what factors that influence the financial decisions of the millennial generation 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, financial knowledge, financial attitude, and financial behavior significantly construct the Islamic financial literacy variable of the millennial generation. This result is in line with Rai et al. (2019) which states that financial knowledge, financial behavior, and financial attitude are very important factors in establishing financial literacy. Furthermore, Rai et al. (2019) stated that financial knowledge is not the only determinant of financial literacy, financial attitudes and financial behavior are also very important and have a positive impact on financial literacy. Soroshian and Teck (2014) stated that a person's financial attitude has a positive effect on the level of financial literacy. A financially literate person will have some basic knowledge of key financial concepts and the ability to apply numeracy skills in financial situations. Likewise, with financial attitudes, an individual who likes to prioritize short-term desires over long-term security is unlikely to provide emergency savings or make long-term plans. Financial behavior is also a very important part of financial literacy. An individual who is financially literate is positively driven by behaviors such as planning expenses and financial security (Atkinson and Messy, 2012). Ajzen (1991) also states that financial attitudes are the result of certain behaviors of decision makers and these attitudes can be rooted through economic and non-economic beliefs. According to the OECD (2013), financial behavior is very important and is a fundamental component of financial literacy. Howlett et al (2008) stated that individuals who have financial knowledge are more financially literate and able to handle finances efficiently.

Second, Islamic financial literacy has a direct positive and significant impact on the financial decisions of the millennial generation. In this study, Islamic financial literacy is formulated using the dimensions of financial knowledge, financial attitude, and financial behavior. This means that an individual who has knowledge of investment, financial management and good knowledge of expenses and income will be more financially literate and can make the right financial decisions. In addition, the right decision can also be made if the individual is financially literate and the perception of financial security, financial orientation, and financial assessment is also good. In terms of financial behavior, if budgeting, availability of reserve funds, and timely bill payments are managed properly, it will also have an impact on good financial literacy and good financial decision making as well. These findings support research conducted by Baihaqqy et al., (2020); Pangestu and Karnadi (2020); Prasad and Nataraj, (2017); Rozikin and Sholekhah (2020); Utami and Sitanggang (2021); and Wijanarko and Rachmawati (2020) which states that financial

literacy has an impact on financial decisions. Hidayati et al. (2021) also found that financial attitudes and Financial Knowledge had an effect on financial decisions. Komara et al. (2018) states that financial literacy scores are strongly correlated with financial decision making. Investment-related decisions related to the capacity to acquire knowledge and learn concepts about how the stock market works will improve with education (Fong et al., 2021). Lusardi and Mitchell (2007) found that an individual who is financially illiterate is less likely to plan for retirement and accumulate wealth. In addition, Bhushan (2014) also states that awareness and investment preferences are highly dependent on individual financial literacy. Lusardi (2008) also states that financial literacy can be a tool to increase consumer base in making decisions. Suderlund and Eriksson (2020) also stated that individuals who have high knowledge will greatly contribute to their decision to save.

Third, Islamic financial literacy has an indirect relationship to the financial decisions of the millennial generation through Islamic branding as a mediator. 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. Wijanarko and Rachmawati (2020) Islamic Branding influences the decision to choose Islamic financial services. The results of the research by Kusuma et al. (2021) show that Islamic branding has an effect on investment decisions. In addition, the findings of Rozikin and Sholekhah (2020) also state that brand image affects the decision to save. This is also related to the Theory of Planned Behavior developed by Ajzen (1991), an individual will decide to invest or save in Islamic banking when the individual feels confident. This confidence is generated because they understand their finances and are supported by the existence of trustworthy branding.

## **Conclusion**

This study examines the role of Islamic branding as a mediator on the influence of Islamic financial literacy on financial decisions with the research object being the millennial generation in South Sumatra with the amount of data collected as many as 348 respondents. The results revealed that Islamic financial literacy has a positive and significant effect on 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 decisions. Islamic financial literacy which is formed by financial knowledge, financial attitude, and financial behavior can improve financial decisions among millennials. Customers who have good financial knowledge, financial attitude and financial behavior will support increased Islamic financial literacy and prevent customers from hedonism behavior. In addition, financial decisions among millennials are also influenced by Islamic Branding. Islamic branding is one of the determinants of a prospective customer in deciding whether to save, invest and transact using Islamic banking. Someone who has high Islamic financial literacy and is supported by good Islamic branding will improve financial decisions. Therefore, Islamic branding 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. In addition, theoretically, these findings also contribute to the development of the theory of planned behavior. Where, the confidence of a customer in making



financial decisions to save and invest in Islamic banking is determined by the financial literacy and Islamic branding received by the customer.

This finding has implications for Islamic banking companies to be able to consider branding that is already attached to the company. In addition, companies must also maintain and improve the services and products offered so that they are pure sharia. Thus, customers will always be loyal to be able to save, invest, and use other banking transaction services. In addition, this finding also has implications for customers as a very important part of the company. Through sharia products and services offered by banks, customers can make the right choices in saving, investing and doing transactions that are far from usury.

The main limitation in this study is that the sampling is too broad, making it difficult for researchers to collect data and generalize the results. In addition, this research is only limited to the Islamic branding variable as a mediator, henceforth it can use the religiosity variable as a moderator. For future 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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