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Financial Literacy Crisis on the Use of Online Loans (Pinjol) Among Generation Z from an Islamic Economic Perspective

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Abstract

The rise of consumptive behavior among Generation Z has become increasingly alarming, especially amidst low levels of financial literacy. A fast-paced lifestyle and exposure to social media have shaped unhealthy financial habits, such as the use of pay later services, digital loans, and impulsive spending. This study aims to explore the financial literacy crisis and its impact on the consumptive behavior of Gen Z from an Islamic economic perspective. Employing a qualitative approach, the research relies on literature studies and content analysis of academic journals, survey reports, and Islamic legal texts. Findings reveal that low financial literacy leads to patterns of excessive consumption that contradict Islamic economic values, such as the prohibition of israf (wastefulness) and the encouragement of moderation (al-iqtisad). Islamic economics offers alternative solutions through Sharia-based financial education, the internalization of spiritual values in wealth management, and the proactive role of families and Islamic institutions in raising financial awareness. This study highlights the importance of integrating Islamic values into financial education to foster a generation that is not only financially literate but also ethically and spiritually responsible.

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INTRODUCTION

In the era of growing globalization and digitalization, the ability to manage finances effectively has become a crucial skill for every individual. A person's understanding of financial concepts and the ability to manage finances based on appropriate short-term decision-making serve as benchmarks for financial literacy (Saraswati, 2021). Financial literacy is defined as the ability to understand and apply basic financial concepts in everyday life, including how to manage income, control expenses, save, and invest (Lusardi , 2014). However, the reality on the ground shows that the level of financial literacy in many countries, including Indonesia, remains relatively low. According to the 2024 National Survey on Financial Literacy and Inclusion (SNLIK) by the Financial Services Authority (OJK), the financial literacy index of the Indonesian population reached 65.43%, while the financial inclusion index was 75.02% (OJK, 2024) . This means that the majority of the population still has limited understanding of financial concepts (Lusardi, 2014) .

The increasingly crucial role of financial literacy makes it worthwhile to highlight how Generation Z, growing up amidst technological advancements and the dynamics of today's modern economy, applies its understanding. Generation Z is defined as those born between 1995 and 2010. According to Akhmad Sudrajat, Generation Z possesses personality and behavioral traits that are fluent in technology, social skills, and multitasking (Gustika, 2024) . Generation Z is the largest demographic group in Indonesia, reaching around 74.93 million people or 27.94% of the total population. As *digital natives* , they grew up in the era of technology and social media that shape unique consumption patterns and lifestyles. According to OJK data, the financial literacy index of generation Z only reached 51.70% in 2024. This low financial literacy has an impact on high consumer behavior among generation Z. Studies show that the largest expenditure of generation Z is for food consumption *, lifestyle* and entertainment, with impulsive shopping spending between 18.69% to 70.59% of expenditure. Hedonism, conformity, FOMO *(Fear of Missing Out)* , and low self-control in managing finances are factors that cause consumer behavior among generation Z (Heriyani, 2024).

Access to information and a wide variety of offers is very easy to find, giving Generation Z many choices in life. Generation Z has the principle of YOLO (*You only live once*) in other words, enjoying life now without worrying about life in the future. This can be seen in Generation Z's choice to go on vacation rather than setting aside retirement funds, because retirement is still considered a long way off. According to the results of Karma Credit Research in 2018, as many as 39% of Generation Z have debt to follow trends in their community and according to research by IDN, Research Institute in 2019, the allocation of savings from income is only 10.17% in Generation Z. Investment, which has always been part of financial management, is also still minimal among Generation Z. This is supported by the results of research from *Future of Money*

by Luno in collaboration with Dalia Research as many as 69% of Generation Z do not have an investment strategy (Dion, 2020).

Generation Z tends to fulfill their consumer needs with debt without considering the significant risks. They use online loans (pinjol) to purchase desired items and fulfill lifestyles they deem essential. Furthermore, the use of online loan services (pinjol) by Generation Z shows a worrying trend. By December 2024, outstanding *online* loans reached IDR 77.02 trillion, with more than 60% of borrowers coming from the younger generation, namely Generation Z and Generation Y. In fact, non-performing loans in the pinjol industry in December 2024 reached IDR 2.01 trillion, with the majority coming from individual borrowers. This growth is driven by several factors, including ease of access, the convenience of digital platforms, and pressing economic needs during difficult times.

Previous research has shown that people tend to be consumptive when using online lending services. This consumer behavior, particularly in the use of online loans (pinjol), can have a significant impact on personal finances. Several references indicate that a hedonistic lifestyle and consumptive behavior can lead to overconsumption, imbalanced priorities, dissatisfaction, and uncontrolled financial spending (Lestari, Rivanka, and Lestari 2023). The negative impacts of consumptive behavior arise when someone consumes more goods now without considering future needs (Novianti, Herdiansyah, and Amelia 2021). Several references indicate that online loans can trigger consumptive behavior and create dependency, as well as increase the risk of personal data leaks and fraud (Guntur Firmansyah and Ari Susanti 2023). Furthermore, a lack of financial literacy in the community can also lead to unwise use of online loans, which can ultimately lead to greater financial problems (Syathiri et al. 2023).

Online loans, also known as *peer-to-peer* (P2P) lending, allow individuals to borrow money directly from other individuals without the intermediary of traditional banks, thus providing more flexible and accessible financial solutions (Kartawinata et al., 2023). The emergence of online lending platforms in Indonesia is supported by advances in financial technology (fintech), which have transformed the financial landscape. According to the Financial Services Authority (OJK), by the end of 2019, there were 164 registered fintech companies offering online lending services (Suryono, Budi, and Purwandari 2021). These platforms are highly attractive due to their simple application process and minimal document requirements compared to conventional banking systems (Arvante 2022). Furthermore, the lure of light requirements, easy disbursement, and low interest rates contribute to the high public interest in accessing online loan funding.

Ponjol also carries potential risks that require attention, especially from a sharia economic perspective. Despite the convenience offered, pinjol also carries potential risks that require vigilance, such as the risk of fraud, the risk of late payments, and the risk of high interest rates (Pawestri, Adwitiya, and Ramadani 2023). From a sharia economic perspective, interest-based lending (riba) is a prohibited practice and should be avoided. Several references indicate that

riba, or interest-based lending, contradicts the principles of sharia economics, which are based on justice, balance, and the prohibition of exploitation. Riba is considered a practice that can lead to injustice and harm one party (Ma'ruf and Alhifni 2022).

The majority of online lending models operating in Indonesia charge fixed or progressive interest on the principal amount. In Islam, profiting from this type of lending transaction is called riba (usury), and it is expressly prohibited in the Quran. Riba is seen as violating the principle of fairness in exchange and exploiting the needs of others. As stated in QS. Al-Baqarah verse 275:

اَلَّذِيْنَ يَأْكُلُوْنَ الرِّبٰوا لَا يَقُوْمُوْنَ اِلَّا كَمَا يَقُوْمُ الَّذِيْ يَتَخَبَّطُهُ الشَّيْطٰنُ مِنَ الْمَسِّۗ ذٰلِكَ بِاَنَّهُمْ قَالُوْٓا اِنَّمَا الْبَيْعُ مِثْلُ الرِّبٰواۘ وَاَحَلَّ اللّٰهُ الْبَيْعَ وَحَرَّمَ الرِّبٰواۗ فَمَنْ جَاۤءَهٗ مَوْعِظَةٌ مِّنْ رَّبِّهٖ فَانْتَهٰى فَلَهٗ مَا سَلَفَۗ وَاَمْرُهٗٓ اِلَى اللّٰهِۗ وَمَنْ عَادَ فَاُولٰۤىِٕكَ اَصْحٰبُ النَّارِۚ هُمْ فِيْهَا خٰلِدُوْنَ ٢٧٥

" Those who consume (transact in) usury cannot stand, except as one who staggers because of a devil. That is because they say that buying and selling is the same as usury. But Allah has permitted buying and selling and forbidden usury. Whoever receives a reminder from his Lord (regarding usury), then he desists until what he had previously acquired becomes his own and his affair is with Allah. Whoever repeats (usury transactions), those are the inmates of the Fire, they will abide therein forever. "

This prohibition was emphasized by Yusuf al-Qaradawi (2001), who stated that usury in all forms of consumer or productive loans has no legitimacy in the Islamic financial system, because it fosters inequality and ignores the principle of social solidarity. In addition to usury (riba), online loan practices also contain gharar, or an element of ambiguity in the contract. Many online loan users don't fully understand the details of fees, late penalties, and repayment terms. This violates the principle of transparency *(shafafiyyah*) in Islamic economics, which requires all parties to clearly understand the terms and conditions of a contract. According to El-Gamal (2006), gharar in contracts creates injustice and an imbalance of information, which can lead transactions towards speculation and harm one of the parties. Islam forbids practices that oppress others, especially in debt-credit relationships. When online lenders charge high interest rates and compound late fees, coupled with inhumane debt collection practices, these practices contradict the Islamic principles of 'adl (justice) and rahmah (compassion). In QS. Al-Baqarah: 280, stated:

وَاِنْ كَانَ ذُوْ عُسْرَةٍ فَنَظِرَةٌ اِلٰى مَيْسَرَةٍۗ وَاَنْ تَصَدَّقُوْا خَيْرٌ لَّكُمْ اِنْ كُنْتُمْ تَعْلَمُوْنَ ٢٨٠

" If he (the debtor) is in difficulty, give him time until he finds relief. That you give charity (freeing him from debt) is better for you if you only knew. "

This principle is in line with maqasid al-shariʿah, especially in protecting assets (hifz al-mal) and protecting the soul (hifz al-nafs) from pressure and violence due to the burden of debt. Islam advocates qardh al-hasan, interest-free loans, as a form of social solidarity among believers. This concept is not only free from usury and gharar, but also reflects the value of mutual assistance that is the foundation of Islamic economics (Zarka, 2010). QS. Al-Baqarah verse 245 states:

مَنْ ذَا الَّذِيْ يُقْرِضُ اللّٰهَ قَرْضًا حَسَنًا فَيُضٰعِفَهٗ لَهٗٓ اَضْعَافًا كَثِيْرَةً ۗوَاللّٰهُ يَقْبِضُ وَيَبْصُۜطُ ۖوَاِلَيْهِ تُرْجَعُوْنَ ٢٤٥

" Who is he that will lend to Allah a goodly loan? He will multiply it for him many times over. Allah straitens and enlarges (provisions). To Him you will be returned."

Although online loans are presented as an alternative financial solution for the public, in practice, this phenomenon has given rise to many new problems, particularly in social, psychological, and economic terms. Reports from the Financial Services Authority (OJK) and the Investment Alert Task Force show that the number of public complaints related to online loans has continued to increase significantly since 2019. In 2023, there were more than 1,200 complaints per month related to intimidating debt collection, exorbitant interest rates, and unauthorized disclosure of personal data (OJK, 2023). This phenomenon not only impacts individual loan users but also impacts family and community economic stability. Online loans generally come with high interest rates, short terms, and easy terms. This situation tempts many people to take on debt without considering their ability to repay. When the due date arrives, the mounting interest burden and aggressive daily penalty system trigger extreme financial stress. From a psychological perspective, debt pressure from online loans causes symptoms of anxiety disorders, stress, and depression.

Research by Hasanah et al. (2022) shows that the majority of online loan users experience feelings of threat and fear due to pressure from debt collectors who use intimidating methods, often involving family and coworkers. In some extreme cases, this psychological burden has even led to suicide, particularly among young people who are not yet financially secure. Based on a survey by the Katadata Insight Center (2023), more than 65% of illegal online loan users are low-income and lower-middle-class people who do not have access to formal financial institutions. From an Islamic perspective, the practice of high-interest online loans clearly contradicts the principles of justice and the prohibition of usury (riba). Many online lenders charge interest rates of up to 30% per month and daily fines of up to 10%, which is highly burdensome and contradicts Surah Al-Baqarah, verse 275, which states, "Allah has permitted trade and forbidden usury." This concept of exploitation contradicts the Islamic principle of qardh al-hasan (interest-free loans), which promotes mutual assistance, not profiting from others' hardships.

Table 1 Distribution of Online Loan Usage by Age

Age Group	Percentage of Users	Estimated Number of Users (National)
< 20 Years	12%	960,000
20-29 Years	37%	2,960,000
30-39 Years	29%	2,320,000
40-49 year	15%	1,200,000
>50 Years	7%	560,000

Source: Katadata Insight Center 2023, OJK Fintech Lending Report

Table 2 General Characteristics of Illegal Loan Users

Characteristics	Percentage
High school education or equivalent	62%
Earning <Rp3 Million/Month	68%
Don't have an account	43%
Exposed to advertisements via social media	74%
Ever been terrorized by debt collectors	39%

Source: SWI & Kominfo Survey on Illegal Lending Behavior (2023)

Islamic economics offers a more holistic approach to addressing the issue of online lending, emphasizing fairness, transparency, and protection for vulnerable communities. In the Islamic financial system, practices involving usury, gharar, and exploitation, as is common in illegal online lending, are strictly prohibited due to their potential to disrupt social balance and plunge individuals into economic hardship. The prohibition of usury is not merely ritualistic, but rather a form of protection for society's financial structure, ensuring it remains based on the principles of productivity and responsibility. Online loans offering high interest rates and easy terms, while seemingly a quick solution, become a long-term financial trap that erodes households' economic capacity. This reinforces social inequality and alienates the younger generation from a sound financial system. Islam, as a value system, offers alternatives in the form of qardh al-hasan and the inclusive Sharia financial model, which focus on community economic empowerment, not exploitation based on immediate needs.

This research provides a conceptual contribution by exploring the link between Generation Z's digital consumer behavior and increasing reliance on online loans. In the long term, this dependence can threaten household economic stability and even impact national economic growth. Therefore, a multidisciplinary approach is needed that is not only regulatory but also educational and value-based. Islam, in this regard, not only provides normative prohibitions but also offers a moral and social framework to prevent destructive economic practices and encourage distributive justice and social welfare. By understanding the root causes

of online loans more comprehensively through an Islamic approach, this research is expected to make a tangible contribution to the development of values-based public policies, Sharia-compliant financial education, and a just and sustainable digital financial transformation. Generation Z, as the future productive generation, requires a financial system that is not only efficient but also ethical, inclusive, and dignified.

METHOD

This study employed a qualitative method with a descriptive-analytical approach. Data were obtained through a literature review and an open-ended questionnaire distributed to respondents representing Generation Z. This study aims to understand the behavior, motivations, and impact of online loan use on the mentality of Generation Z, as well as its implications for the national economy from an Islamic perspective.

- Identification of problems
- Research Design Planning
- Data Collection (literature and open questionnaire)
- Thematic Data Analysis
- Discussion and Interpretation of Results

The research process began by identifying the dominant issues related to online lending dependence among Generation Z. The researchers then formulated research questions and developed a study design that aligns with a qualitative approach. Data collection was conducted through two main methods: literature review from journals, books, and official reports from the Financial Services Authority (OJK) and Financial Transaction Reports and Analysis Center (PPATK). An open-ended questionnaire was distributed online to 100 Generation Z respondents aged 18–25. The data obtained were analyzed using thematic analysis, grouping respondents' answers into main themes, such as motivations for using online lending, psychological impacts, and perceptions of Islamic finance. The next step was to connect the data findings with theories of consumer behavior, maqasid al-shariʿah (the principles of Islamic law), and Quranic verses on the prohibition of usury and the importance of wealth distribution. The researchers then systematically compiled a narrative of the research results as a basis for developing solutions based on Islamic values.

RESULTS AND DISCUSSION

1. Generation Z's Level of Exposure to Online Lending

This study involved 100 Generation Z respondents, 65% male and 35% female. Most respondents were aged between 18 and 25. Data showed that the majority had used online lending services, both legal and illegal, with an exposure rate of 79%.

Respondent Age	Percentage
< 18 Years	12%

18–21 Years	38%
22–25 Years	50%

The survey results showed that the 22–25 age group was the largest user of online loans (pinjol), accounting for 50%, followed by the 18–21 age group at 38%, and those under 18 at 12%. These findings indicate that exposure to online loans is particularly high among those in their early productive years (students and recent graduates), where the transition to financial independence and a lack of financial literacy are key drivers.

2. Motivation for Using Online Loans

Based on the questionnaire results, the primary motivations for using online loans were urgent needs (42%) and the desire to obtain money quickly (27%). Meanwhile, 18% of respondents used online loans due to the influence of social media or their environment.

Questionnaire Questions	Percentage
Urgent needs	42%
Want quick money without a long process	27%
Influence of social media / friends	18%
Don't know / try	13%

The motivation table reveals that 42% of respondents used online loans for urgent needs, such as for daily living expenses or emergencies. Another 27% were motivated by a desire for quick cash without a lengthy process, indicating an instant mindset and minimal long-term consideration. Furthermore, 18% of respondents reported being motivated by social media and peers, demonstrating the significant influence of the digital environment. Meanwhile, 13% stated they were unaware or simply experimenting, indicating their use of online loans without careful consideration.

3. Psychological and Social Impacts

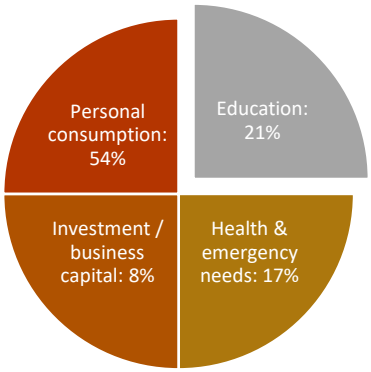
As many as 49% of respondents stated they experienced severe stress after using online loans, while another 31% admitted to feeling anxious or afraid due to intimidating debt collection and the dissemination of personal data by debt collectors.

Impact	Yes	Sometimes	No
Feeling very stressed	49%	28%	23%
Avoiding social/family	37%	25%	38%
Fear of debt collection and threats	58%	19%	23%

The majority of respondents (49%) admitted to experiencing severe stress due to using online loans. This is quite high and indicates that the mental stress caused by digital debt is not just a financial issue but also has a direct impact on mental health. Furthermore, 58% expressed fear of collection and threats, indicating aggressive collection practices by illegal online lenders. Furthermore, 37% of respondents began withdrawing from their social or family environment, reflecting the moral burden and shame caused by unresolved debt.

4. Use of Loan Funds

The data also shows that online loan funds are not entirely used for productive needs. Fifty-four percent of respondents admitted to using online loan funds for consumption (gadgets, food, or online shopping), only 21% used them for education, and the remainder for emergencies.



5. Islamic Economic Perspective on Online Loans

In Islamic economics, lending activities that charge interest (riba), accompanied by contract uncertainty (gharar), as well as exploitation of weak communities are a form of injustice and are contrary to maqasid al-shariʿah. Qarḍ is a loan and return transaction without any expected return. In this transaction, the borrower has an obligation to repay the loan amount in one go or in installments within a certain period with the same amount (Wangsawidjaja, 2013). In the Islamic view, Qard is considered valid if all the necessary conditions and principles are met. If any of the conditions or principles are not met, then the Qard transaction is considered invalid (Rozalainda, 2006). The principles of muamalah in Islam include that all types of muamalah are permitted, except those that are explicitly prohibited in the Al-Qur'an and As-Sunnah. Done voluntarily without any elements of coercion, maintaining the values of justice, avoiding detrimental actions, and bringing benefits and avoiding losses in society (Asjmuni, 1997).

The prohibitions in Muamalah in Islam consist of the following things (Rachmat, 2001):

a. Maisyir, namely transactions that include obtaining profits through gambling or from other people's losses .

b. Gharar is a transaction that involves uncertainty regarding the object of the transaction, such as goods that cannot be handed over, uncertainty regarding the price and time of payment.
c. Haram, which indicates a prohibition on conducting transactions on goods or things that are prohibited, so that buying and selling transactions are invalid if the object is alcohol or narcotics.
d. Usury, which is the addition or profit from borrowing and selling. There are various types of usury in everyday life that should be avoided, such as usury of the Jahiliyah (pre-Islamic era) and usury of the Nasah (Islamic tradition) that occur in conventional banking transactions.
e. Bathil, transactions that are considered invalid and prohibited in Muamalah.

Online Loan Analysis from an Islamic Economic Perspective basically Qard is a contract, a mutual assistance agreement between the borrower (muqtarid) and the lender (muqrid). On the other hand, online loans are money lending services available online, operated by companies or service providers. Borrowers only need to enter their personal information to borrow money, and the funds will be automatically transferred to their account. In economic transactions, several principles determine whether the transaction is in accordance with Sharia principles. Some of the principles of transactions from a Sharia perspective include :

a) The principle of brotherhood (ukhuwah) emphasizes the importance of shared values in achieving benefits, so Sharia transactions avoid profiting at the expense of others. Although online lending companies aim to help provide capital or loans to the community, many cases involve borrowers feeling disadvantaged, resulting in transactions deemed to be of no benefit to the borrower.
b) The principle of justice ('adalah) emphasizes the importance of granting rights to those entitled to it, while also not violating the principles of muamalah, which prohibit usury, injustice, gambling, gharar, and haram. In the analysis of online lending cases, injustice is evident because the loan repayment system adds costs beyond the principal, which is detrimental to borrowers and only benefits online lending providers.
c) The principle of benefit (maslahah) emphasizes that every economic activity must bring goodness both worldly and spiritually. However, analysis of online loan cases shows that there are disadvantages due to bad debt collection, which is detrimental to borrowers. Therefore, as good Muslims, remind each other and avoid actions that bring harm in order to achieve mutual benefit.
d) The principle of balance in Sharia transactions prioritizes not only corporate profits for shareholders but also benefits all parties involved in the economic activity. However, in the case of online loans, this balance is disrupted, as borrowers are

charged additional fees and interest calculated on the loan amount, and penalties for late payments. This benefits the lender and harms the borrower. The principle of universality in Sharia transactions is that transactions are carried out with clear agreements and for mutual benefit without harming other parties. However, in the case of online loans, unethical debt collection is a problem. While the lender has the right to collect, disclosing personal information is unethical. This action harms one party and violates Islamic moral principles.

In online lending, there are several types of contracts permitted in financial technology. First, there's the Mudharabah contract, a partnership between a capital owner and a business manager, with profits shared according to an agreed-upon ratio, while losses are borne by the capital owner. Second, there's the Musyarakah contract, a partnership between two or more parties in a specific business, with funding contributions and profit sharing according to an agreed-upon ratio. Third, there's the Wakalah bi al Ujrah contract, a transfer of power in exchange for a fee. Finally, there's the Qard contract, a loan with agreed-upon repayment terms. (Anwaret al.,2020). However, in the practice of online lending services using the qardh contract, several aspects do not comply with the fatwa. These include transaction fees deducted from the loan, late payment penalties, and inconsistencies in the interest calculation, which constitute usury. This is despite the fatwa clarifying that information technology-based financing services must not violate Sharia principles, particularly regarding usury.

6. Solutions and Coping Strategies

This study suggests three main approaches to minimize the impact of online loans among Gen Z, namely:

- Integration of Religious Education and Financial Literacy
- Strengthening Psychosocial Support and Counseling
- Sharia-Based Regulation & Supervision

The implementation of this solution aims to build spiritual resilience, self-control, and awareness of healthy economics based on Islamic values. Collaboration between the government, universities, and digital platforms is needed to provide education and a reporting system for illegal online loans. Researchers also found that although individuals are aware of the prohibition of usury in Islam, not all have emotional control and a deep understanding of how to deal with consumer temptations in the digital world. Therefore, integrating religious education with psychological approaches is crucial to preventing digital debt traps.

The application of Islamic economic principles is crucial in addressing the increasingly widespread online lending (pinjol) phenomenon among Generation Z. Islam not only

prohibits usury but also offers a fair financial system based on solidarity and equitable wealth distribution. This principle encourages the use of funds for productive, rather than consumptive, needs and prevents the accumulation of wealth that oppresses vulnerable groups. Based on survey results and literature review, there are three main elements of a relevant solution to address the online lending crisis among the younger generation:

a. Integration of Religious Education and Financial Literacy

The survey showed that 92% of respondents with a deep understanding of usury (riba) tended to reject high-interest online loans. This demonstrates that religious education can be a foundation for building ethical awareness and sound financial literacy among the younger generation. School and university curricula need to integrate Islamic financial literacy as part of character building and responsible economic decision-making.

b. Psychosocial Support and Strengthening Self-Control

The psychological impact of debt pressure from online lending demonstrates the importance of an empathy-based psychological approach and counseling. Many respondents reported experiencing stress and anxiety due to loans, which, if left untreated, can impact mental health and social relationships. Therefore, educational institutions and communities need to provide psychosocial support services to build emotional and spiritual resilience.

c. Strict Sharia Regulation and Supervision

The government and financial authorities need to strengthen regulations against illegal online loans (pinjol) and take firm action against inhumane collection practices. Furthermore, public access to halal, qardh al-hasan-based loans through officially registered Islamic microfinance institutions, Islamic microfinance institutions (BMTs), and Islamic fintech platforms is essential. This regulation must be accompanied by public education and intensive monitoring of misleading online loan advertisements on social media.

Researchers also found that despite a good theoretical understanding of Islamic principles, many young people still lack emotional and self-control. Therefore, implementing this solution requires synergy across sectors: education, social affairs, economics, and digital technology, to support the creation of an economic protection system based on Islamic values and morals.

CONCLUSION

The financial literacy crisis among Generation Z is a major factor in the rise in unwise use of online loans. A lack of understanding of basic financial management concepts, interest rates, and debt risks leads many individuals in this group to fall prey to detrimental online lending practices, such as high interest rates, late payments, and unethical debt collection practices. From an Islamic economic perspective, many conventional online lending practices violate Sharia principles, particularly regarding usury (riba) (interest), gharar (uncertainty), and dharar (loss).

Islamic economics emphasizes the importance of fair, transparent transactions free from exploitation. Generation Z's lack of awareness of these principles makes them vulnerable to the trap of non-Sharia-compliant online lending. Thus, the financial literacy crisis is not only a matter of money management skills, but also a moral and ethical issue in transactions, which is highly emphasized in Islamic economics. Efforts to improve Islamic financial literacy need to be prioritized so that Generation Z can make responsible financial decisions in accordance with Islamic values.

Suggestion

1. For Research
    a. A comparative analysis between the use of sharia and conventional online loans among Generation Z, as well as the factors influencing their preferences.
    b. An in-depth qualitative study of Generation Z's perceptions of usury and how this influences their financial decisions.
    c. Research on the effectiveness of Islamic financial literacy programs in schools or universities in preventing consumer behavior based on online loans.
    d. Development of a digital-based education model integrated with Islamic economic principles.
2. For Readers
    a. Increase understanding of financial literacy and Islamic economic principles, to avoid the trap of debt that is contrary to sharia.
    b. Don't be tempted by the convenience of online loans without considering your repayment ability and the long-term consequences.
    c. Choose sharia-compliant financial solutions, such as sharia cooperatives or sharia microfinance institutions, which are more ethical and fair.
    d. Make a frugal and productive lifestyle a part of Islamic values in everyday life.

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