# GEN Z AND SUPPORT TOWARDS ISLAMIC COMMERCIAL AND SOCIAL FINANCE INTEGRATION

ANITA PRIANTINA
Institut Agama Islam Tazkia, Indonesia. Email: anitapriantina@tazkia.ac.id

HAFIZ AKBAR MUHAMMAD
Institut Agama Islam Tazkia, Indonesia. Email: 2105.hafiz.017@student.tazkia.ac.id

TRI ALFIANI
Institut Agama Islam Tazkia, Indonesia. Email: trialfiani@tazkia.ac.id

MELVINA SYAHNUM
Institut Agama Islam Tazkia, Indonesia, melvina@tazkia.ac.id

## ABSTRACT

The integration of Islamic commercial and social finance is receiving increasing attention, especially as the global economy attempts to recover from the aftermath of Covid-19. Therefore, it is important to examine what factors contribute to the success of the integration of Islamic commercial and social finance. One form of integration is operational integration between Islamic banks and ZISWAF institutions (*zakat, infaq, sadaqa, and waqf*). These institutions could offer various joint products, including specialized savings accounts where profit sharing is distributed directly to the social institution rather than to the account holders. The objective of this study is to analyse the determinants of Generation Z's intention to support the program. The Partial Least Square-Structural Equation Model is used to analyse the responses of 425 Muslim Gen Z in Bogor. The result shows that attitude, religiosity, knowledge, functional factor, and trust have a significant and positive influence on the intention to support the Islamic commercial and social integration. Moreover, trust also moderates the positive influence of knowledge on Gen Z intention.

**Keywords**: Islamic commercial and social integration, Intention, partial least square.

# INTRODUCTION

Global Covid-19 Pandemic has called for solution proposal to recover the economy worldwide. Among lesson learned from the crisis is that the economy needs more help from philanthropic sectors. Islam has various altruistic mode of economic support, and in fact *infaq* increases during pandemic Covid-19 (Aji et al., 2021).

Several researchers propose Islamic philanthropy to mitigate the effects of Covid-19 through Islamic social finance. Ainol-Basirah and Siti-Nabiha (2020) and Mursal et al. (2021) suggest greater use of different *Waqf* models, while Abdul Kareem et al. (2021) suggest greater use of *Zakat* and *Waqf*. The authors also suggest integrating Islamic social financing with commercial financing. These studies include those by Rabbani et al. (2021), Faisal (2021), and Sulaiman and Hasan (2020).

The concept of integration between Islamic commercial finance and Islamic social finance started since the inception of Islam itself. The integration of social and commercial financing was started by Prophet Muhammad (PBUH). At that time, Ummar (RA) came to the Prophet (PBUH) and asked him what to do about his commercial dates business. The Prophet (PBUH) said Ummar should run the business in a commercial manner and share the profit with himself as well as give the harvested dates to the society as part of a social donation (Ascarya et al., 2020). The Prophet's advice basically represents Islam's efforts to eliminate the problem of poverty. The Islamic financial system can be defined as a comprehensive system that includes both commercial and social finance, i.e., commercially (for-profit) oriented institutions and socially (non-profit) motivated organizations (Tamanni et al., 2022).

There are several studies that suggest some integration or blending of social finance with commercial finance. These studies include (Abdullah and Ismail, 2017). The paper outlines some characteristics of *waqf*-based Islamic microfinance institutions and how they can be sustainable. The study emphasizes that good corporate governance is of utmost importance to ensure sustainability of MFIs. Similarly, Mikail et al. (2017) examines the use of *zakat* and *waqf* funds in the microtakaful model.

Islamic social finance can help reduce the extent of economic inequality resulting from the unequal distribution of resources and wealth and achieve long-term social improvements to reduce poverty. Accordingly, as stated by Sarea (2012), *zakat* aims at sustainable development by reducing social problems and promoting economic activity.

Integrated Islamic social and trade finance is still rare in research when it comes to achieving macroprudential goals such as curbing excessive lending (Widodo, 2018). Conventional Islamic social finance institutions and commercial

finance institutions are integrated. Four different approaches can be used to integrate conventional Islamic social financial institutions with commercial financial institutions (Tahiri, 2019):

1. To increase their effectiveness, both institutions should work together in ecosystems.
2. Traditional social financial institutions have a real opportunity to leverage fresh capital through commercial financial institutions.
3. The projects of traditional Islamic social financial institutions can be co-financed or refinanced by commercial financial institutions.
4. Traditional Islamic social financial institutions can serve as guarantors for loans to enterprises.

It is important to study what factors contribute to the success of integrating Islamic commercial and social financial institutions. Once various products for collaboration between Islamic commercial and social finance are created, consideration should also be given to what might encourage customers or potential customers to support integration. This paper will analyse the determinants for supporting integration of Islamic commercial and social finance services.

The next part addresses the literature and previous studies needed to answer the research question. The third part deals with the data, data collection and data analysis. The discussion section presents the descriptive and interpretive analysis of the model. The final part summarises the results of the analysis and makes recommendations.

## LITERATURE REVIEW

### Islamic Social Finance

Through social mechanisms such as *zakat* (almsgiving), *sadaqah* (voluntary giving), *waqf* (donation), and Islamic microfinance, all of which are adopted and used globally, Islamic finance also promotes socioeconomic empowerment. These Islamic social finance instruments are associated with charitable giving, although they take different forms and have different meanings (Kuanova et al., 2021).

Ebrahim (2009) examined the use of Islamic housing finance programs in impoverished cooperatives. Another important study is by Nusrate Aziz and Mohamad (2016), who propose an effective method of Islamic asset building and management to develop a long-term project to alleviate poverty. In their proposed approach, the study also addresses similar social challenges faced by poor people, focusing on issues such as health, housing, education, and

environmental concerns. The study identifies inefficiencies in current processes and proposes solutions that are consistent with Islamic values and can be implemented by Islamic institutions.

Nusrate Aziz and Mohamad (2016) present a theoretical framework as well as operational proposals for social enterprises, referred as Islamic social business. The rise of Islamic financial institutions (IFIs) that mainly serve wealthy consumers or businesses, as seen in their consumer or commercially oriented portfolios, can also be attributed to the rise of Islamic social finance. According to Haniffa and Hudaib (2010), IFIs are pursuing secular goals to compete with conventional banks and are abandoning their religious economic requirement to provide *riba*-free financial services. Ali et al. (2020) also encourage IFIs to help the poor and needy through social finance products.

Beyond the conceptual studies, there are several areas of Islamic social finance that require further investigation. Relevant topics include social finance versus commercial finance, social finance and the achievement of the Sustainable Development Goals (SDGs), and social finance and poverty eradication (Tamanni et al., 2022).

Islamic social finance instruments such as *Waqf* and *Zakat*, for example, have been highlighted as efficient methods to help poor countries achieve their SDGs, provided they are properly designed, managed, and deployed with transparency, accountability, and efficiency using blockchain technology. In Islamic social finance, blockchain will connect the supply and demand sides. It will serve as a bridge between *Mustahiq* and *Muzakkir* in the case of *zakat* and the *Waqif* and *Nadzir* in the case of *Waqf*. Blockchain technology will also address the problem of Islamic social finance data, which is a major obstacle to the future development of this field (Mohd Nor et al., 2021).

**Islamic Social and Commercial Finance Integration**
In summary, the institutional framework proposed by DiMaggio and Powell (2010) describes the phenomenon of integrating social and commercial finance. Two of the three isomorphism concepts are coercive and mimetic. The coercive concept represents the power of government to influence top-down social-commercial finance integration. In addition, simulation represents a bottom-up method in which IFIs initiates integration. The Islamic financial system can be characterized as a comprehensive system that includes both commercial and social finance, i.e., institutions that are commercially (for-profit) oriented and organizations that are socially (non-profit) motivated. This "holistic" definition is proposed by Maali et al. (2006), who believe that individuals or Muslims in general have intrinsic social expectations of Islamic banks because Islamic organizations have been largely socially or religiously oriented throughout

Islamic history, and therefore any new "Islamic" institution is expected to function in the same way. Similarly, Iqbal (1997) emphasizes that the Islamic system "gives equal importance to ethical, moral, social, and religious components to improve justice and fairness for the benefit of society as a whole."

Hasan and Sulaiman (2016) conducted a study on the opportunities of Islamic Real Estate Investment Trusts (IREITs) in developing Waqf assets, which provides a conceptual integration of Islamic Social Finance (ISF) and Islamic Commercial Finance (ICF) in the Islamic capital market. As we all know, Indonesia has an Indonesian Board of Waqf and several Waqf holding companies and areas throughout the country. Hasan and Sulaiman (2016) idea could be useful in tapping the Islamic capital market through ISF. *Waqf* institutions and even *Zakat* institutions could use these IREITs to optimize their assets for future business. The concept of I-REITs by Hasan and Sulaiman (2016) was inspired by Islamic social finance, with capital coming from *Baitul Mal*, *Waqf* institutions, state-governed enterprises, and the general public.

Operational integration will accelerate the growth of Islamic social finance and commercial financial integration. The accounting approach for *zakat* needs to be based on the ANP outcome, as large and established Islamic finance industries such as banks, insurance companies, and asset management companies provide social finance services as ancillary services rather than core services (Tamanni et al., 2022).

**Theory of Planned Behaviour**
The Theory of Planned Behaviour (TPB) is used to explain changes in consumer behaviour. Three important pillars are used in TPB, namely attitude, subjective norms, and perceived behavioural control (Ajzen, 1991), which influence purchase intention and behaviour.

TPB identifies three basic factors that influence desired individual behaviour, including attitudes, subjective norms, and perceived behavioural control. Under conditions of natural disasters or epidemics, Daellenbach et al. (2018) also used the model as a basic theory for understanding consumer purchase intentions during uncertain times.

Some studies added factors or elements into the model to effectively explain the relationship between research variables, such as Gkargkavouzi et al. (2018), and the research results of these studies effectively confirmed their hypothesis. In addition, many previous studies have suggested adding other relevant variables such as environmental factors when studying consumer intentions, such as Choi and Johnson (2019) and López Mosquera and Sánchez (2012).

**Religiosity and Intention**

*Zakat* and *waqf* are voluntary charitable contributions that fall within the realm of *sadaqah* and *infaq* (giving away wealth without hope of return in the form of wealth in the world). The wealth given away voluntarily is ultimately to empower the poor or public institutions such as mosques, universities, schools, etc. (Kuanova et al., 2021).

Religion should not be left out of this convoluted discussion of giving. "Social beliefs and practises that relate to God or a higher power and are often associated with a church or organised organisation" is the definition of religiosity (Egbert et al., 2004). At the first glance, research on religion and willingness to donate appears to reach conflicting conclusions - depending on which study is considered, willingness to donate organs may be favourably or unfavourably influenced (Stephenson et al., 2008). The findings of Usman et al. (2021) show that religiosity has a significant positive influence directly on the intention to purchase *halal*-certified food. Religiosity positively moderates the influence of perfectionism/quality consciousness and price consciousness on intention to purchase *halal* certified food. Religiosity plays a positive role in explaining intention to donate cash *waqf* online among Indonesia's Millennials. Religiosity has been found to be the strongest factor influencing attitude (Kasri and Chaerunnisa, 2022).

**Knowledge and Intention**

Several studies have created knowledge indices with multiple items or assessments of students' understanding of topics related to organ donation (Bardell et al., 2002; 2003; Feeley and Servoss, 2005; Horton and Horton, 1990; Radecki and Jaccard, 1999; Ryckman et al., 2004).

**Attitude and Intention**

Saad and Haniffa (2014) investigated the variables that influence *zakat* compliance behaviour among businesses in Malaysia. Through the mediation effect of the desire to obey, they found that attitude and subjective norms significantly and positively influence *zakat* compliance behaviour. According to Ajzen (1991), attitude refers to the information processing strategy that results from the social perception of behaviours. In other words, a person's attitude towards a behaviour can be characterised as their pleasant or bad feelings due to performing the desired behaviour. According to Annahl et al. (2021), attitude has a significant influence on intention.

An attitude is a conscious tendency to respond positively or negatively to a particular object on a regular basis. Customers' perceptions about the hotel's

characteristics can influence how they think about *Shari'ah*-compliant hotels. The result of the study shows that consumers' attitudes toward hotel design significantly and positively influence customers' intention toward *Shari'ah*-compliant hotels by using customers' beliefs about hotel characteristics (Vegirawati et al., 2019).

**Trust and Intention**
Trust in organizations selected to collect *zakat* is one of the reasons contributing to implementation of *zakat* (Mubarok and Fanani, 2014). The trust that members of the Muslim community have in those who are required to pay *zakat* (*muzakki*) is an important factor in their willingness to pay and their payment behaviour. The community would have more confident in a particular *zakat* institution if it can manage the *zakat* funds professionally.

As argued by Annahl et al. (2021), the influence of attitude on trust was also confirmed. The findings support previous studies (Kasri and Ramli, 2019; Widiyanto et al., 2020) highlighting that the Muslim community's preference to pay *zakat* to certain organizations could be influenced by how familiar *zakat* organisations are in handling *zakat* funds.

**Functional Factor and Intention**
A modification of the Theory of Reasoned Action (TRA), the Technology Acceptance Model (TAM), was presented by Davis (1989). TAM provides a basis for learning and understanding how users interact with information systems. Perceived usefulness (PU) is the extent to which someone believes that using a fintech can improve his or her job performance. Based on Niswah et al. (2019), there are some indicators that describe the functional factor: Perceived Ease of Use (PEOU) is a measure of the extent to which someone believes that using a fintech will be effortless. Attitude Towards Usage (ATU) is the extent to which someone evaluates the use of fintechs through donations as pleasant or unpleasant.

## METHODOLOGY
**Research Approach and Design**
This study focuses on examining the determinants of the intention of Gen Z towards contributing on Islamic commercial and social finance integration practice. Here, the indicators involved in modelling are represented by latent (or unobserved) variables. Therefore, this study uses an approach that can estimate the relationship between these latent variables. In the statistical literature, Structural Equation Modelling (SEM) is a commonly used method to analyse the relationship between latent variables.

Generally, there are two types of SEM modelling that can be used to analyse the relationship between latent variables, namely Covariance-Based SEM (CB-SEM) developed by Jöreskog (1969) and Partial Least Squares SEM (PLS-SEM) developed by Wold (1975). PLS-SEM is often called soft modelling because it uses softer assumptions and can be used on small sample size. One of the advantages of PLS-SEM is its ability to test on small sample sizes or problems with data normality (Wold, 1975). Apart from being used to explain the presence or absence of a relationship between latent variables, PLS-SEM can also be used to confirm the governing theory. Another advantage of PLS-SEM is that it can solve two serious problems: first, an unacceptable solution; this happens because PLS is based on variance and not covariance, so the singular matrix problem will never occur.

PLS-SEM is a hybrid model which is a combination of two models, namely: the measurement model (outer model) and the structural model (inner model). PLS-SEM generally applies OLS regression-based estimation technique. This method focuses on predicting a hypothesized set of relationships that maximize the variance described in the dependent variable, like the OLS regression model. Therefore, the focus of PLS-SEM is more on prediction than explanation, which makes PLS-SEM very useful for studies exploring factors that influence a particular aspect, such as studies on sources of competitive advantage, studies of drivers of success, and others (Hair et al, 2017).

**PLS Estimation Procedure and Statistical Test**
One of the important statistical analyses in PLS-SEM modelling is to estimate and evaluate statistics on the resulting model. In general, the estimation and test stages in PLS-SEM modelling are presented as follows:

1. Designing model specifications. This stage involves the theoretical specification of the relationship between latent variables and how each latent variable will be measured. Model specification can be achieved based on experience in a particular field, review of theory and literature. In this study, the model specification was developed adopting various literature separately.
2. Draw a path diagram. To facilitate understanding and analysis of model results, the inner model and outer model designs obtained in the previous stage can be expressed in a path diagram. The inner model describes the relationship between the latent variable and its measuring indicators, while the outer model describes the relationship between the latent variables. The path diagram illustrates the research hypothesis and displays the relationship of the variables to be tested. This diagram is

often referred to as a path model. The path model is a diagram that connects latent variables based on theory to visually present the hypothesis to be tested. Preparing a pathway model early in the research process allows the researcher to visually consider the relationships between the variables of interest.

3. Estimating model parameters. PLS-SEM analysis estimates parameters that represent the relationship between measurement indicators (manifest) and their latent variables, as well as the relationship between different latent variables. In this context, the PLS-SEM results can be described and interpreted as a combination of two models, namely: the measurement model (outer model) and the structural model (inner model). PLS-SEM generally applies OLS regression-based estimation technique. This method focuses on predicting a hypothesized set of relationships that maximize the variance described in the dependent variable, similar to the OLS regression model. Therefore, the focus of PLS-SEM is more on prediction than explanation, which makes PLS-SEM very useful for studies on sources of competitive advantage and studies of influencing factors (Hair et al, 2017).

4. Evaluating the model. Model evaluation in PLS-SEM includes evaluation of the outer model and inner model. The outer model evaluation includes convergent validity, discriminant validity, and construct reliability. Convergent validity is a measure of internal consistency to ensure that the items or indicators that are assumed to measure each latent variable actually measure it and do not measure other latent variables. In PLS-SEM, Average Variance Extracted (AVE) can be used to determine the convergent validity of the construct being measured. AVE is formulated as:

$$AVE = \frac{\left(\sum \lambda_i{}^2\right)}{\sum \lambda_i^2 + \sum_i \sigma^2(e_i)}$$

Where:

$\lambda$        : *loading factor*
$\sigma^2(e_i)$   : *error variance*

Discriminant validity assessment aims to ensure that the reflective construct has the strongest relationship with its own indicator (for example, compared to other constructs) in the PLS pathway model (Hair et al., 2017). The assessment of discriminant validity has become a generally accepted prerequisite for analysing the relationship between latent variables. For variant-based structural equation modelling, such as PLS, Fornell-Larcker criteria and cross-

loadings checks are the dominant approaches for evaluating discriminant validity (Henseler et al., 2014). By looking at the cross-loading, the factor loading indicator on the specified construct must be higher than all other construct loadings provided that the cut-off value of the loading factor is higher than 0.70.

Construct reliability is used to assess whether the indicators of measuring latent variables are reliable or not. Cronbach's alpha is a reliability (or consistency) coefficient that can be used to measure how well a set of items or indicators measures a single dimension of a latent variable. When data has a multidimensional structure, Cronbach's alpha tends to be low. Cronbach's alpha can be formulated as (Cronbach, 1951):

$$\rho_c = \frac{(\sum_i l_i)^2}{(\sum_i l_i)^2 + \sum_i var(e_i)}$$

Where:

l = standardized outer loading value of the $i^{th}$ measuring indicator for a certain latent variable
e = measurement error of the $i^{th}$ measuring indicator
var $(ei)$ = Variant of measurement error defined as $1 - l\_i \char`\^ 2$

Meanwhile, the inner model evaluation includes multicollinearity, coefficient of determination ($R^2$) and predictive relevance ($Q^2$). Multicollinearity is a phenomenon in which two or more exogenous constructs (latent variables) are highly correlated, causing the predictive ability of the model to decrease. The measure that can be used to identify multicollinearity is variance inflation factor (VIF) for a particular variable ($x_i$), which is defined as the inverse of the tolerance value (TOL):

$$VIF_{x_i} = 1/TOL_{x_i}$$

Where:

$$TOL_{x_i} = 1 - R^2_{x_i}$$

According to Hair et al. (2014), the level of collinearity is very high (or symptoms of multicollinearities occur), if the tolerance is 0.20 or lower, which also means that the VIF is 5 or higher). Furthermore, the coefficient of determination ($R^2$) measures the accuracy of the model's predictions and is calculated as the squared correlation between the actual value and the predicted specific endogenous constructs. $R^2$ values range from 0 to 1, with a higher level indicating a higher level of prediction accuracy. It is difficult to provide a rule of thumb for an acceptable value of $R^2$ because this depends on the complexity of the model and the research discipline. A $R^2$ value of 0.20 is considered high in

disciplines such as consumer behaviour, but in studies of the drivers of success, researchers expect a value much higher than 0.75. In scientific research focused on marketing problems, $R^2$ values of 0.75, 0.50, or 0.25 for endogenous latent variables can, as a rule of thumb, be described as substantial, moderate, or weak, respectively (Hair et al., 2017; Reinartz et.al, 2009).

5. Test the overall fit of the model. The overall fit model test aims to ascertain whether the predictive value of the model tends to predict the response to other samples accurately. One approach that can be used to test the overall fit in PLS-SEM is the standardized root mean square residual (SRMR). Henseler et al. (2014) introduced SRMR as a measure of goodness of fit for PLS-SEM which can be used to avoid model specification errors. SRMR is defined as the difference between the observed correlation and the model that states the correlation matrix. Thus, it is possible to assess the mean magnitude of the difference between the observed and expected correlations as the absolute measure of the fit criterion (model). SRMR values less than 0.10 or 0.08 (in a more conservative version; see Hu and Bentler, 1998) are considered suitable.

**Location of the Study**

The data used are primary data collected through distributing questionnaires to Gen Z in Bogor, Indonesia. Gen Z is defined as those who are born between 1995-2012 (Twenge, 2017). Generation Z is chosen as they are assumed to be the most exposed to social media. Since the issue of integration of Islamic commercial and social finance is still early for Indonesia case, Gen Z is then chosen by assumption that they are exposed to the best to technology and digitalization and therefore they are expected to be the first who are familiar with new products, including collaboration products between Islamic commercial and social institution. Bogor is chosen as this city is highly digitized, especially on economic sector. This is proven as in 2021, Bogor received four awards on economic digitalization from Bank Indonesia.

**Model Specification and Research Instruments**

Each question in the questionnaire was primarily directed to obtain the necessary information or data, namely, to obtain operational definitions of the variables used in PLS-SEM modelling. The indicators of each dependent and independent variables are as follow:

**Table 1: SEM Manifest Variables**

| Variable | Code | Manifest Variables |
|---|---|---|
| **Attitude** | A1 | Supporting Islamic economy and finance is important to me |
| | A2 | Using Islamic bank products is good for me |
| | A3 | Faithfully using Islamic bank products is important to me |
| | A4 | Avoiding usury practices, financial products that contain gambling aspects, and financial practices that have *gharar* aspects is important to me |
| | A5 | Supporting Islamic banks that support the social sector is important to me |
| **Religiosity** | R1 | I use Islamic financial products because my religion encourages it |
| | R2 | I read the Quran every day |
| **Knowledge** | K1 | I know all Islamic banking products |
| | K2 | I know all commercial *muamalah* contracts |
| | K3 | I know all social *muamalah* contracts |
| **Functional Factor** | F1 | Paying ZISWAF through Islamic banks is easy to do |
| | F2 | Paying ZISWAF through an Islamic bank has a low administration fee |
| | F3 | I channel ZISWAF funds to institutions that have accounts with Islamic banks |
| | F4 | Islamic banks have cooperation with various national ZISWAF institutions |
| **Trust** | T1 | I believe that the social funds that I channel through Islamic banks will reach their destination |
| | T2 | I believe that Islamic banks are trustworthy in managing social funds |
| | T3 | I believe that Islamic banks are competent in managing social funds |
| | T4 | I believe that Islamic banks are competent in cooperating with social institutions |
| **Intention** | P1 | I will allow Islamic banks to distribute the profit sharing I get to ZISWAF |

| P2 | I will recommend to friends and relatives to allow Islamic banks to distribute profit sharing for ZISWAF |
|----|----|
| P3 | I will pay ZISWAF only through Islamic banks, not conventional banks |
| P4 | I will recommend to friends and relatives to pay ZISWAF through Islamic banks, not conventional banks |

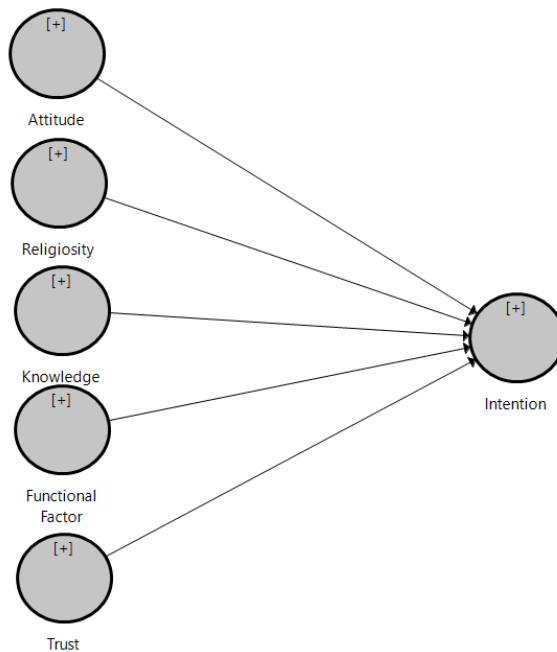Therefore, the proposed model is as depicted (Figure 1):



**Figure 1: SEM PLS Proposed Model**

The plus (+) sign indicates that attitude, religiosity, knowledge, and functional factor are latent variables, and each has indicator(s).

# RESULTS AND ANALYSIS

**Respondent Profile**

The profile of the respondents is summarized as below:

|  | N | % |
|---|---|---|
| **Gender** | | |
| Male | 229 | 53.88% |
| Female | 196 | 46.12% |
| **Place** | | |
| City of Bogor | 158 | 37.18% |
| Regency of Bogor | 267 | 62.82% |
| **Age** | | |
| above 22 | 191 | 44.94% |
| 21 and below | 234 | 55.06% |
| **Do you have Islamic Bank account?** | | |
| Yes, as main account | 333 | 78.35% |
| Yes, as secondary account | 45 | 10.59% |
| No | 47 | 11.06% |
| **Do you/your family pay ZISWAF to Pubic ZISWAF Institution/ Private ZISWAF institution** | | |
| Yes, offline only | 94 | 22.12% |
| Yes, online only | 101 | 23.76% |
| Yes, both offline and online | 106 | 24.94% |
| No, I pay to *mustahik* directly | 124 | 29.18% |

The respondents are dominated by male by 54%. As most respondents are students, age group is dominated by those aged 21 and below. 79% of the respondents have Islamic bank account either as main account or as secondary account. When being asked whether the respondent or the family paid *zakat* or *infaq* or *sadaqa*, or *waqf* to government or private ZISWAF institution, 48.7% mentioned that they have experienced in paying ZISWAF online, while the rest have experience in paying *zakat* offline only, either to the ZISWAF institution or directly to the *mustahik*.

**Summary of the Respondents' Answer on the Questionnaires**
**Outer Loading, and R Square**
The model initially has each five indicators for each latent variable. But after some tests, this is the best model which all indicators are valid, or the outer loading is bigger that 0.7 as according to WHO.
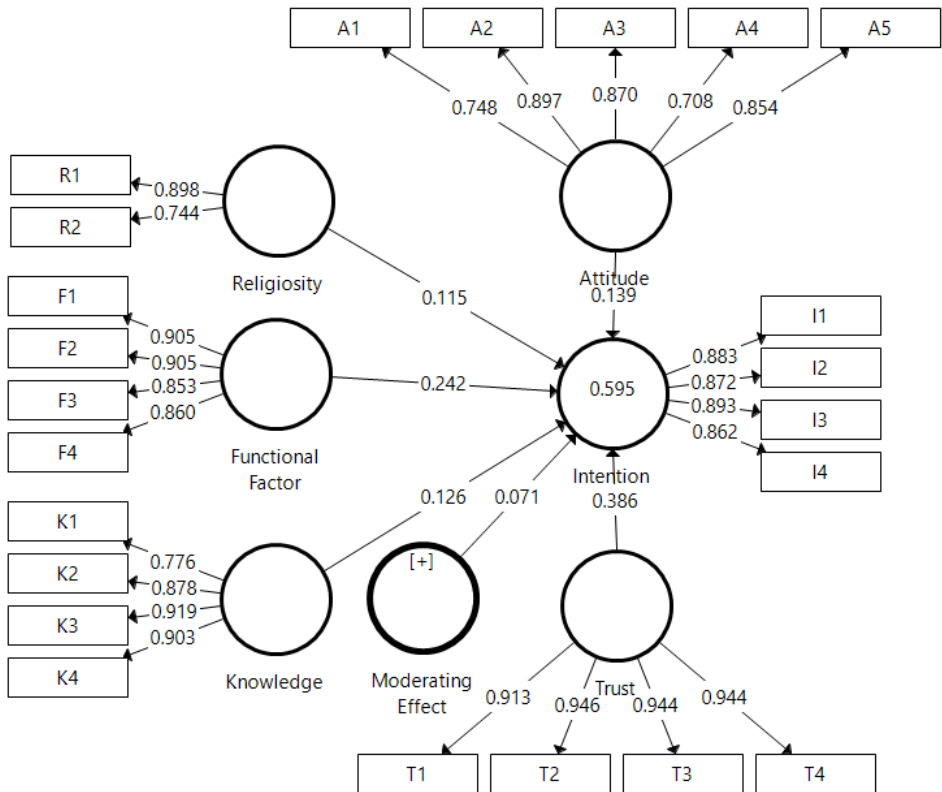


**Figure 2: SEM PLS Model, Outer Loading, and R Square**

From Figure 2 above, we can see that the $R^2$ is 0.595 or this model could explain the intention of Gen Z in supporting the integration between Islamic commercial and social finance by 59.5% while the rest are explained by other variables outside this model. For marketing research, $R^2$ values of 0.75, 0.50, or 0.25 for endogenous latent variables can, as a rough guide, be described as substantial, moderate, or weak, respectively (Hair et al., 2017; Henseler et al.,

2014). In this study, it can be seen that the R² value for the intention model is moderate.

As for the contribution from each variable, we can see that trust has the biggest portion. To support the Islamic commercial and social product, trust has been proven to be the most important for Gen Z. This may also apply to attract them to the Islamic financial institution in general.

**Table 2: Construct Reliability and Validity**

|  | Composite Reliability | Average Variance Extracted |
|---|---|---|
| Attitude | 0.910 | 0.670 |
| Functional Factor | 0.933 | 0.776 |
| Intention | 0.931 | 0.770 |
| Knowledge | 0.926 | 0.758 |
| Moderating Effect | 1.000 | 1.000 |
| Religiosity | 0.808 | 0.680 |
| Trust | 0.966 | 0.878 |

Convergent validity can be assessed by looking at the results of the factor loading measurement model and also the Average Variance Extracted (AVE) which exceeds 0.5 (Hair et al., 2014). In Table 2, it can be seen that the AVE value of all latent variables used in the model is greater than 0.5. This shows that the average of each latent variable is able to explain more than 50 percent of the variation in the measurement indicators. These results also indicate that the indicators that measure each latent variable have a high enough correlation. Overall, these results indicate that the construct validity requirements have been met. The composite reliability value above 0.7 or greater as according to Fornell and Larcker (1981) proves that the instrument measurement is consistently acceptable.

**Table 3: Variance Inflation Factor (VIF)**

|  | Intention |
|---|---|
| Attitude | 2.383 |
| Functional Factor | 1.952 |
| Knowledge | 1.761 |
| Moderating Effect | 1.478 |
| Religiosity | 2.106 |
| Trust | 1.896 |

In general, VIF values must be less than 5 to avoid a collinearity between constructs (Hair et al., 2017). In this study, the VIF value of all the exogenous latent variables are less than 5 which indicates that there is no multicollinearity in the structural model.

**Table 4: Goodness of Fit**

|  | Saturated Model | Estimated Model |
|---|---|---|
| **SRMR** | 0,056 | 0,057 |
| **d_ULS** | 0.862 | 0.896 |
| **d_G** | 0.496 | 0.498 |
| **Chi-Square** | 1306.820 | 1346.696 |
| **NFI** | 0.844 | 0.839 |

The Standardized Root Mean Square Residual (SRMR) is used here as the correct measure for PLS-SEM to avoid model specification errors. Based on Table 4, the SRMR value for the entire model is 0.057. According to Hu and Bentler (1999) this value are included in the good fit criteria as it is below 0.08.

**Table 5: Intention Model Analysis**

|  | Original Sample | Sample Mean | Standard Deviation | T Statistics | P Values | Hypothesis Testing |
|---|---|---|---|---|---|---|
| **Attitude→Intention** | 0.139 | 0.143 | 0.053 | 2.621 | 0.009* | Accepted |
| **Functional Factor→ Intention** | 0.242 | 0.244 | 0.058 | 4.188 | 0.000* | Accepted |
| **Knowledge → Intention** | 0.126 | 0.131 | 0.050 | 2.519 | 0.012** | Accepted |
| **Moderating Effect→ Intention** | 0.071 | 0.076 | 0.035 | 2.034 | 0.043** | Accepted |
| **Religiosity → Intention** | 0.115 | 0.113 | 0.051 | 2.261 | 0.024** | Accepted |
| **Trust → Intention** | 0.386 | 0.378 | 0.074 | 5.243 | 0.000* | Accepted |

Note: * Significant at 1%; ** Significant at 5%, *** Significant at 10%

Table 5 summarizes the relationships between exogenous variables and the endogenous variables. Attitude, functional factor, knowledge, religiosity, and trust are found to have positive and significant influence toward the intention of Gen Z to support the Islamic commercial and social integration product. Some of the variables such as knowledge and religiosity are significant ($p= 5\%$) while the rest which are attitude, functional factor, and trust are significant ($p=1\%$). We can also conclude that trust give the biggest contribution to intention.
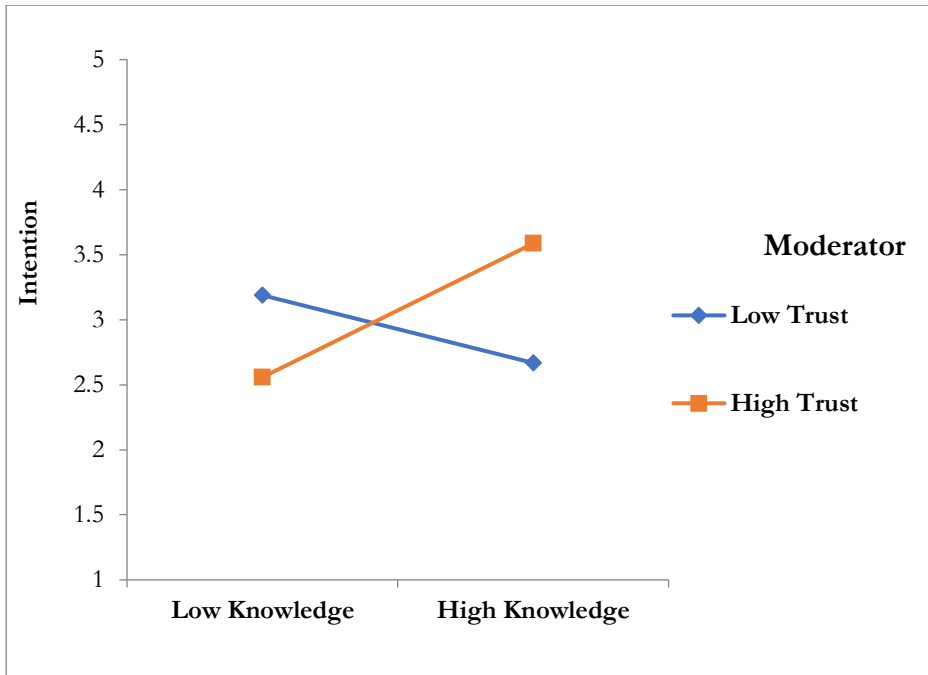


**Figure 3: Trust as Moderating Variable between Knowledge and Intention**

Other than being the biggest contributor toward the intention to support the Islamic commercial and social integration practice, trust also has another significant role. Adapting the procedures from Aiken and West (1991), Dawson (2014), and Dawson and Richter (2006), the moderating effect is also tested. The result shows that trust strengthens the positive influence between knowledge and intention.

## CONCLUSION AND RECOMMENDATION

The result shows that attitude, religiosity, knowledge, functional factor, and trust have a significant and positive influence on the intention to support the Islamic commercial and social integration. From all variables, trust contributes the most to the variable of intention. Moreover, trust also moderates the positive influence of knowledge on Gen Z intention.

The goal of benefiting from the integration of commercial and social finance must be achieved from raising awareness of all stakeholders, including those who will sacrifice part of their assets for the integration programs to be successful. Although Gen Z who are in university (bachelor degree) age in general are not expected to earn income in order for them to be able to donate part of their assets, but educating them earlier on why and how to contribute to the social welfare are expected to give long term and sustainable. The rest of Gen Z who are already in the early years of the job market may also start to practice and contribute to the integration of Islamic commercial and social projects.

Attitude, religiosity, and knowledge are factors that are related to the customers. This should be raised by proper education. As Gen Z are attached significantly to social media compared to other generations, campaign through this channel by various kinds of ads including collaborating with influencers may be more effective. Social media are also accessible on daily basis, so the intensity is expected to give significant effect.

Functional factor and trust are however related more to the performance of the Islamic financial institutions (IFIs). For the Gen Z to be able to attach to Islamic commercial and social integration and other products or projects offered by IFIs, easy of access, uniqueness of features, and integrity of the institutions should always be managed. In the era of citizen journalism when everyone could be news reporter and every netizen could possibly create a viral news, IFIs must be able to maintain their image and their integrity. Satisfied customers may not post their good testimony, but unsatisfied or upset customers usually have better urge to directly post their bad experience instantly on the social media.

## REFERENCES

Abdul Kareem, I. A. et al. (2021) 'Mitigating the Effect of Covid-19 on the Society Through the Islamic Social Finance', *The Journal of Management Theory and Practice (JMTP)*, 2(1), pp. 57–61. doi: 10.37231/jmtp.2021.2.1.83.

Aiken, L. S., & West, S. G. (1991). *Multiple regression: Testing and interpreting interactions*. Newbury Park, London, Sage.

Ainol-Basirah, A. W. and Siti-Nabiha, A. K. (2020) 'the Roles of Islamic Social Finance in the Era of Post-Covid-19: Possible Prospects of Waqf Institutions for Economic Revival', *International Journal of Industrial Management*, 7(1), pp. 1–8. doi: 10.15282/ijim.7.0.2020.5747.

Aji, H. M. et al. (2021) 'Investigating the determinants of online infaq intention during the COVID-19 pandemic: an insight from Indonesia', *Journal of Islamic Accounting and Business Research*, 12(1), pp. 1–20. doi: 10.1108/JIABR-05-2020-0136.

Ali, M. M., Devi, A., Furqani, H., & Hamzah, H. (2020). Islamic financial inclusion determinants in Indonesia: an ANP approach. *International Journal of Islamic and Middle Eastern Finance and Management*, *13*(4), 727–747. https://doi.org/10.1108/IMEFM-01-2019-0007

Annahl, M. A. F., al Anshory, A. C., & Aulia, M. (2021). Why Do Muzaki Pay Zakat Through Institutions? The Theory Of Planned Behaviour Application. *Journal of Islamic Monetary Economics and Finance*, *7*. https://doi.org/10.21098/jimf.v7i0.1313

Ascarya, Sukmana, R., & Hosen, M. N. (2020). Integrated social and productive awqaf in Indonesia. In *Awqaf-led Islamic Social Finance* (pp. 245-259). Routledge.

Bardell, T., Childs, A. L., & Hunter, D. J. W. (2002). Organ donation: a pilot study of knowledge among medical and other university students. *Annals (Royal College of Physicians and Surgeons of Canada)*, *35*(2), 77–80. http://europepmc.org/abstract/MED/12755120

Bardell, T., Hunter, D. J., Kent, W. D., & Jain, M. K. (2003). Do medical students have the knowledge needed to maximize organ donation rates? *Canadian Journal of Surgery*, *46*(6), 453–457.

Choi, D., & Johnson, K. K. (2019). Influences of environmental and hedonic motivations on intention to purchase green products: An extension of the theory of planned behaviour. *Sustainable Production and Consumption*, 18, 145-155.

Cronbach, L. J. (1951). *Coefficient alpha and the internal structure of tests. psychometrika*, 16(3), 297-334.

Daellenbach, K., Parkinson, J., & Krisjanous, J. (2018). Just How Prepared Are You? An Application of Marketing Segmentation and Theory of Planned Behaviour for Disaster Preparation. *Journal of Nonprofit & Public Sector Marketing,* 1–31. doi:10.1080/10495142.2018.1452830

Dawson, J. F. (2014). Moderation in management research: What, why, when and how. *Journal of Business and Psychology*, 29, 1-19.

Dawson, J. F., & Richter, A. W. (2006). Probing three-way interactions in moderated multiple regression: Development and application of a slope difference test. *Journal of Applied Psychology*, 91, 917-926

DiMaggio, P., & Powell, W. W. (2010). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields (translated by G. Yudin). *Journal of Economic Sociology*, *11*(1), 34–56. https://doi.org/10.17323/1726-3247-2010-1-34-56

Ebrahim, M. S. (2009). Can an Islamic model of housing finance cooperative elevate the economic status of the underprivileged? *Journal of Economic Behaviour and Organization*, *72*(3), 864–883. https://doi.org/10.1016/j.jebo.2009.08.002

Egbert, N., Mickley, J., & Coeling, H. (2004). A Review and Application of Social Scientific Measures of Religiosity and Spirituality: Assessing a Missing Component in Health Communication Research. *Health Communication*, *16*(1), 7–27. https://doi.org/10.1207/S15327027HC1601_2

Faisal, F. (2021, May). Cash Waqf a Tool to Support Children Education in Covid-19 Pandemic. In *1st International Conference on Law and Human Rights 2020* (ICLHR 2020) (pp. 241-247). Atlantis Press.

Feeley, T. H., & Servoss, T. J. (2005). Examining College Students' Intentions to Become Organ Donors. *Journal of Health Communication*, *10*(3), 237–249. https://doi.org/10.1080/10810730590934262

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39–50. https://doi.org/10.2307/3151312

Geisser, S. (1974). A predictive approach to the random effect model. *Biometrika*, 61(1), 101–107. doi:10.1093/biomet/61.1.101

Gkargkavouzi, A., Paraskevopoulos, S., & Matsiori, S. (2018). Who cares about the environment? *Journal of Human Behaviour in the Social Environment*, 28(6), 746-757.

Hair, Joseph F, et.al. (2017). *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. SAGE

Haniffa, R., & Hudaib, M. (2010). Islamic finance: From sacred intentions to secular goals? *Journal of Islamic Accounting and Business Research*, *1*(2), 85–91. https://doi.org/10.1108/17590811011086697

Hasan, A., & Sulaiman, S. (2016). The Use of Islamic Real Estate Investment Trust (I-REITs) as a Contemporary Instrument in Developing Waqf Assets: Potential Structure, Issues and Challenges. *Intellectual DIscourse, Special Issue*, 521–540.

Henseler, J., et.al. (2014). Common beliefs and reality about PLS: Comments on Rönkkö and Evermann (2013). *Organizational research methods*, 17(2), 182-209.

Horton, R. L., & Horton, P. J. (1990). Knowledge regarding organ donation: Identifying and overcoming barriers to organ donation. *Social Science & Medicine*, *31*(7), 791–800. https://doi.org/https://doi.org/10.1016/0277-9536(90)90174-Q

Hu, L. T., & Bentler, P. M. (1999). Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives. *Structural equation modeling: a multidisciplinary journal*, 6(1), 1-55.

Iqbal, Z. (1997). Islamic Financial Systems. *International Monetary Fund. Not for Redistribution* .

Jöreskog, K. G. (1969). A general approach to confirmatory maximum likelihood factor analysis. *Psychometrika*, 34(2), 183–202. doi:10.1007/bf02289343

Kasri, R. A., & Chaerunnisa, S. R. (2022). The role of knowledge, trust, and religiosity in explaining the online cash waqf amongst Muslim millennials. *Journal of Islamic Marketing*, *13*(6), 1334–1350. https://doi.org/10.1108/JIMA-04-2020-0101

Kasri, R. A., & Ramli, U. H. (2019). Why do Indonesian Muslims donate through mosques?: A theory of planned behaviour approach. *International Journal of Islamic and Middle Eastern Finance and Management*, *12*(5), 663–679. https://doi.org/10.1108/IMEFM-11-2018-0399

Kuanova, L. A., Sagiyeva, R., & Shirazi, N. S. (2021). Islamic social finance: a literature review and future research directions. *Journal of Islamic Accounting and Business Research*, *12*(5), 707–728. https://doi.org/10.1108/JIABR-11-2020-0356

López-Mosquera, N., & Sánchez, M. (2012). Theory of Planned Behaviour and the Value-Belief-Norm Theory explaining willingness to pay for a suburban park. *Journal of environmental management*, 113, 251-262.

Maali, B., Casson, P., & Napier, C. (2006). Social reporting by islamic banks in Malaysia. *Abacus*, *42*(2), 266–289.

Mohd Nor, S., Abdul-Majid, M., & Esrati, S. N. (2021). The role of blockchain technology in enhancing Islamic social finance: the case of Zakat management in Malaysia. *Foresight*, *23*(5), 509–527. https://doi.org/10.1108/FS-06-2020-0058

Mubarok, A., & Fanani, B. (2014). Penghimpunan Dana Zakat Nasional (Potensi, Realisasi dan Peran Penting Organisasi Pengelola Zakat). *Permana: Jurnal Perpajakan, Manajemen, Dan Akuntansi*, *5*(2). http://birokrasi.kompasiana.com/2013/08/01/ternyata-

Niswah, F. M., Mutmainah, L., & Legowati, D. A. (2019). Muslim Millennial's Intention of Donating for Charity Using Fintech Platform. *Journal of Islamic Monetary Economics and Finance*, *5*(3), 623–644. https://doi.org/10.21098/jimf.v5i3.1080

Nusrate Aziz, M., & Mohamad, O. bin. (2016). Islamic social business to alleviate poverty and social inequality. *International Journal of Social Economics*, *43*(6), 573–592. https://doi.org/10.1108/IJSE-06-2014-0129

Rabbani, M. R. et al. (2021) 'Exploring the role of islamic fintech in combating the aftershocks of covid-19: The open social innovation of the islamic financial system', *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2). doi: 10.3390/joitmc7020136.

Radecki, C. M., & Jaccard, J. (1999). Signing an Organ Donation Letter: The Prediction of Behaviour From Behavioural Intentions1. *Journal of Applied Social Psychology*, *29*(9), 1833–1853. https://doi.org/https://doi.org/10.1111/j.1559-1816.1999.tb00154.x

Reinartz, W., Haenlein, M., & Henseler, J. (2009). An empirical comparison of the efficacy of covariance-based and variance-based SEM. *International Journal of research in Marketing*, 26(4), 332-344.

Ryckman, R. M., Thornton, B., van den Borne, B., & Gold, J. A. (2004). Intrinsic-Extrinsic Religiosity and University Students' Willingness to Donate Organs Posthumously. *Journal of Applied Social Psychology*, *34*(1), 196–205. https://doi.org/https://doi.org/10.1111/j.1559-1816.2004.tb02544.x

Saad, R. A. J., & Haniffa, R. (2014). Determinants of zakat (Islamic tax) compliance behaviour. *Journal of Islamic Accounting and Business Research*, *5*(2), 182–193. https://doi.org/10.1108/JIABR-10-2012-0068

Stephenson, M. T., Morgan, S. E., Roberts-Perez, S. D., Harrison, T., Afifi, W., & Long, S. D. (2008). The role of religiosity, religious norms, subjective norms, and bodily integrity in signing an organ donor card. *Health Communication*, *23*(5), 436–447. https://doi.org/10.1080/10410230802342119

Stone, M. (1974). Cross-validation and multinomial prediction. *Biometrika*, 61(3), 509–515. doi:10.1093/biomet/61.3.509

Sulaiman, S., & Hasan, A. (2020). Integrated Approach Of Unit Trust And Waqf As Sustainable Investment Conceptual Model In The Covid-19 Era. *The Maastricht Journal of Liberal Arts* 8 (12): pp. 30-41

Tamanni, L., Indra, I., Syamlan, Y. T., & Priantina, A. (2022). Islamic social finance and commercial finance: a marriage made in heaven? *Journal of Islamic Accounting and Business Research*. https://doi.org/10.1108/JIABR-01-2021-0018

Twenge, Jean (2017). "Move Over, Millennials: How 'iGen' Is Different From Any Other Generation". *The California State University*. August 22, 2017.

Usman, H., Chairy, C., & Projo, N. W. K. (2021). Impact of Muslim decision-making style and religiosity on intention to purchasing certified halal food. *Journal of Islamic Marketing*. https://doi.org/10.1108/JIMA-01-2021-0027

Vegirawati, T., Yusnaini, Y., & Ningsih, E. K. (2019). Customer Attitudes And Intention Towards Sharia Compliant Hotel. *Journal of Islamic Monetary Economics and Finance*, *5*(3), 559–578. https://doi.org/10.21098/jimf.v5i3.1075

Widiyanto, C. bin M., Zaenudin, Z., Santoso, B., & Sumiati, S. (2020). A study of Indonesian community's behaviour in paying zakat. *Journal of Islamic Marketing*, *11*(4), 961–976. https://doi.org/10.1108/JIMA-10-2018-0208

Wold, H. (1975). Soft Modelling by Latent Variables: The Non-Linear Iterative Partial Least Squares (NIPALS) Approach. *Journal of Applied Probability*, 12(S1), 117–142. doi:10.1017/s0021900200047604