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The Influence of Cashless Lifestyle on Generation Z's Interest in Becoming a Customer at Bank Syariah Indonesia with Financial Behavior as a Mediating Variable

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***Keywords**: BYOND, Cashless Lifestyle, Financial Behavior, Generation Z, Intention to Become Customer*

Abstract
The rapid transformation of Indonesia's digital payment ecosystem highlights a growing disparity between high non-cash adoption and the relatively stagnant market share of Islamic banking among digital natives. Grounded in the synthesis of the Theory of Planned Behavior and Lifestyle Theory, this study aims to analyze the direct effect of a cashless lifestyle on Generation Z's interest in becoming Bank Syariah Indonesia (BSI) customers, while evaluating the mediating mechanism of financial behavior in bridging daily payment practices with long-term banking decisions. A quantitative causal-associative design was deployed using Structural Equation Modeling based on Partial Least Squares (PLS-SEM) via SmartPLS 4.0. Primary data were gathered through structured online questionnaires from 400 Generation Z respondents in Madura selected through purposive sampling criteria. The empirical results demonstrate that a cashless lifestyle has a positive and significant effect on customer interest ($t = 2.211$, $p = 0.027$) and financial behavior ($t = 11.218$, $p = 0.000$). Furthermore, financial behavior significantly impacts customer interest ($t = 13.718$, $p = 0.000$) and acts as a pivotal mediating variable ($t = 8.603$, $p = 0.000$). These findings conclude that technical proficiency in digital payments alone does not drive institutional preference for Islamic banks; rather, structured financial behavior serves as the critical behavioral bridge. Practically, Islamic financial institutions must integrate personal financial management features into platforms like BYOND to cultivate disciplined financial habits and convert digital engagement into active account adoption.

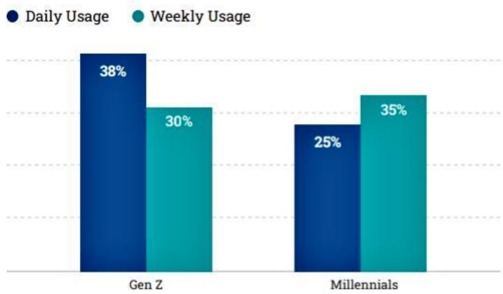
INTRODUCTION

The global economy is undergoing a fundamental transformation towards a cashless payment system accelerated by digitalization and the COVID-19 pandemic (World Bank, 2022)(Islam & Ferrer, 2025). Indonesia emerged as one of the fastest-growing cashless economies in Southeast Asia, with the value of electronic money transactions jumping from IDR 129.59 trillion in Q1 2024 to IDR 262.08 trillion in Q3 2025, recording a growth of 102% in 18 months as presented in Figure 1. (GoodStats, 2025). This acceleration is supported by a surge in QRIS transactions of 226.54% on an annual basis with an expansion of up to 36 million merchants in December 2024 (Billah et al. 2024) (Rachma & Kusuma, 2024). Based on a Jakpat survey published through GoodStats (2026), 80% of respondents choose e-wallets as their main payment method, while only 44% use digital banking platforms for daily transactions, making Indonesia one of the most dynamic cashless markets in the Southeast Asian region.

Figure 1. Growth in the Value of Electronic Money Transactionsk

This transformation is most evident in Generation Z (born 1997–2012) who grew up as digital natives at the forefront of cashless lifestyle adoption. Data of the Association of Indonesian Internet Service Providers, (2024) confirming that Generation Z is the largest contributor to internet users in Indonesia with a proportion of 34.40%, surpassing the millennial group. This dominance is reflected in their financial behavior, where the report IDN Research Institute, (2025) recorded as many as 38% of Gen Z respondents using QRIS every day. With the number of internet users in Indonesia, Gen Z is the largest contributor (34.40%) and smartphones as the main access device (83.39%)(APJII, 2021), digital infrastructure supports cashless habits is the new normal of Generation Z. Conceptually, the high intensity of interaction with digital payment systems should encourage a preference for financial institutions that are adaptive and in tune with that lifestyle. In this context, Islamic banking, which is increasingly digital, should be the main choice for a generation that upholds the value of efficiency as well as religiosity.

Figure 2. Frequency of QRIS Use in Gen Z and Millennials



On the other hand, the reality of Indonesia's Islamic banking sector shows dynamics that are not in line with the assumption of a positive correlation between technology adoption and interest in using Islamic services. Indonesia has great potential vision in becoming the world's central hub of sharia economy and finance, and Indonesia does not yet have a specific Act on fintech(Muryanto et al., 2021). Although BSI recorded customer growth of up to 22.6 million in 2025 (Kontan, 2025), the national Islamic banking market share is still in the range of 7.4% with total assets of around IDR 967.33 trillion as of June 2025 (OJK, 2025). This figure shows that structurally, Islamic banking still occupies a minority portion in the national banking system. This disparity shows that high digital engagement does not automatically convert into a preference for Islamic financial institutions, even among the majority Muslim population.

The imbalance between the rapid digital lifestyle and the growth of Islamic banking inclusion can be observed through the general performance of Sharia banking. The high growth in Sharia banking assets is supported by an increase in Sharia bank capital, sufficient liquidity, improvements in the quality of financing, efficiency levels, profitability of Sharia banks, and, most importantly, supported growth in fund collection and distribution of funds managed by Sharia banks (Ghofir et al., 2025). However, this growth is still lagging behind the surge in QRIS transactions which jumped 226.54% in one year. The market share of Islamic banking also only increased slowly from

6.52% to 7.72%. Even though BSI has launched BYOND to reach Generation Z whose internet penetration is 99%. This condition indicates a gap in *financial behavior*, where *cashless habits* have not encouraged the decision to become a sharia customer.

Critical findings from Maulana et al., (2024) reveal that despite ongoing digital service innovations by Islamic banks such as QRIS integration and mobile platforms public adoption and awareness remain constrained by technical limitations, network disruptions, and lower user-friendliness compared to conventional banking ecosystems. Similarly, Hopalı et al., (2022) confirm a similar trend, showing that although consumers easily embrace the technical convenience of digital wallets, full engagement is still hindered by gaps in risk perception and financial management. This condition indicates a disconnect between technical proficiency in cashless practices and long-term financial behavior orientation in choosing Islamic banking institutions.

Previous research has made important contributions but still leaves limitations. Mingka et al. (2024) highlighted the influence of halal lifestyle and digital technology on Generation Z's decisions in Islamic banking, while Alfi, (2022) examined the influence of religiosity on interest in saving. However, the majority of existing literature remains predominantly focused on static cognitive variables, particularly financial knowledge and individual attitudes(Mandić et al., 2026). The studies have not explored the behavioral mechanisms that link the cashless practices with banking institutional decisions. In contrast, Kurniawati et al., (2025) provide a more comprehensive framework by examining actual financial behavior (use behavior) in digital Islamic banking adoption decisions and evaluating the moderating role of Islamic financial literacy.

Empirical gaps become even more glaring when quantified through concrete studies Batubara et al. (2022) found that digital services simultaneously affect Generation Z's interest in using Islamic banking products, but most of the dimensions of digital services such as convenience, perceived risk, and innovation do not have a partial significant effect on this interest, except for the perceived usability aspect. These findings show that the mere adoption of digital technology is not enough to encourage institutional preference for Islamic banks.

These findings are reinforced by Maksum (2023) which revealed that of the 250 Gen Z respondents who use mobile banking, only 28.4% use sharia mobile banking, while 71.6% still use conventional mobile banking even though they know the existence of sharia mobile banking services. The mismatch between the intensity of digital practices and the low interest in Islamic banking raises questions about the adequacy of the behavioral model that has been used to explain the financial decisions of the younger generation(Yusfiarto et al., 2024)(Zulaikha & Faricha, 2026).

These empirical conditions show significant theoretical anomalies. *Theory of Planned Behavior* (Ajzen, 1991) predicts that a positive attitude towards sharia principles, supportive social norms (majority Muslims), and ease of access to technology should generate strong interest in Islamic banking. However, reality shows otherwise. Similarly, *Lifestyle Theory* (Plummer, 1974) predicts that the intensity of digital activity will be reflected in the choice of financial institutions that are in line with this lifestyle, but the data shows that interest in BSI is still limited. Thus, there is no empirical model that explicitly tests *financial behavior* as a mediator between cashless practices and institutional decisions of Islamic banking in Generation Z.

With the increasing penetration of the digital payment system in Indonesia almost touching the saturation point in Generation Z, the failure of Islamic banking in converting digital engagement into institutional preference shows the missing link in the mechanism of financial behavior (Muhaimin et al., 2026) (Sodik, 2026). If this gap is not comprehensively understood, then the demographic and digital opportunities that Indonesia has as the largest Muslim country risk not being optimally utilized in strengthening the national Islamic financial ecosystem. Therefore, an empirical model is needed that is able to explain the mediation mechanism of financial behavior in the relationship between *a cashless lifestyle* and interest in becoming an Islamic banking customer.

Based on these theoretical and empirical gaps, this study asks the question: "How does financial behavior mediate the relationship between *cashless* lifestyle and interest in becoming a customer of Bank Syariah Indonesia in Generation Z?" This study aims to analyze the role of financial behavior as a mechanism that bridges *daily cashless* practices with the orientation of long-term financial decisions towards Islamic banking. The novelty of this research lies in the positioning of financial behavior as a behavioral mechanism that bridges daily *cashless practices* with the orientation of long-term financial decisions, which has not been widely explored in the context of Generation Z. Unlike previous studies that tend to focus on static cognitive variables such as religiosity, this study offers a solution through actual behavior analysis. The results of this research are expected to be a strategic reference for Islamic financial literacy and inclusion, especially in formulating banking approaches that are relevant to the characteristics of the digital native generation in areas with strong religious attachments.

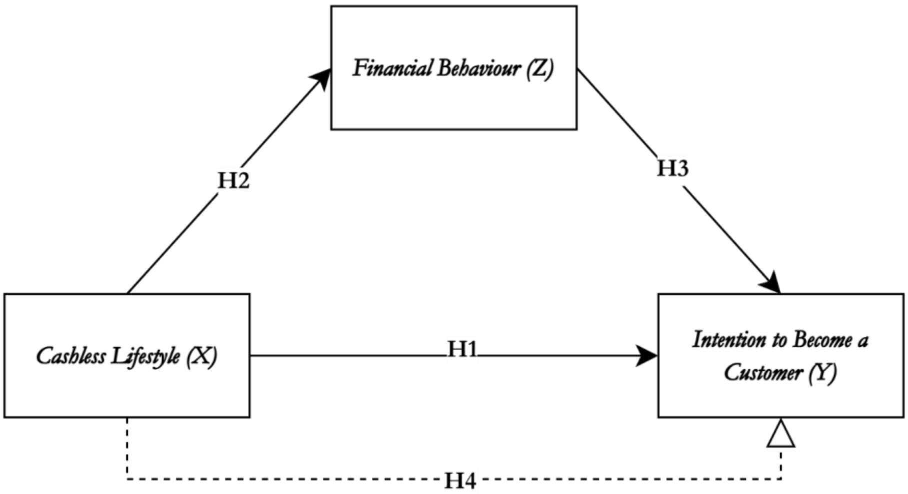


Figure 3. Research Model

H1: The cashless lifestyle has a positive and significant effect on Generation Z's interest in becoming a customer of Bank Syariah Indonesia.
H2: Cashless lifestyle has a positive and significant effect on the financial behavior of Generation Z.
H3: Financial behavior has a positive and significant effect on Generation Z's interest in becoming a customer of Bank Syariah Indonesia.
H4: Financial behavior is able to mediate the influence of cashless lifestyle on Generation Z's interest in becoming Bank Syariah Indonesia customers in a positive and significant way.

METHODS

This study uses a quantitative approach with an explanatory design (*explanatory research*) to test the causal relationship between variables(Sarstedt et al., 2017). Survey approach is *cross-sectional* used to collect data at a certain time to test the influence of cashless lifestyle on interest in becoming a customer of Bank Syariah Indonesia (BSI) through mediation of financial behavior. The population in this study is the entire community on Madura Island which amounts to 4,193,218 people (BPS, 2023). Given the size of the population, the sample size was determined using the Slovin formula with 5% *margin of error*, resulting in a total of 400 respondents. Furthermore, the sample was selected using purposive sampling techniques to ensure that the selected respondents met the inclusion criteria, namely: (1) belong to Generation Z with an are aged 17–29 years, (2) are domiciled in Madura, and (3) have experience in using digital transactions (*cashless lifestyle*) and (4) knowing the existence of Bank Syariah Indonesia (BSI) and/or its digital services.

$$n = \frac{N}{1 + N(e^2)}$$

n = Number of Samples
N= Large Population (4,193,218 people)
e = margin of error 5% or 0,05
Calculation:

$$n = \frac{4.193.218}{1+4.193.218(0,05)^2} \quad n = \frac{4.193.218}{1+4.193.218(0,0025)} \quad n = \frac{4.193.218}{1+10.483,045} \quad n = \frac{4.193.218}{10.484,045} \quad n = 400$$

Primary data were collected through an online questionnaire (Google Forms) with a five-point likert scale (Likert, 1932) whose instruments have been declared feasible through a pilot test on 30 respondents with a Cronbach's Alpha value above 0.70 (Nunnally & Bernstein, 1994). Data were analyzed using *structural equation modeling* based on Partial Least Squares (SEM-PLS) with the help of smartPLS 4.0 through two stages of evaluation. Evaluation of measurement models (*outer model*) was carried out to test convergent validity (outer loading ≥0.70 and AVE ≥0.50), discriminant validity (Fornell-Larcker and HTMT criteria ≤0.85), and construct reliability (composite reliability and Cronbach's alpha ≥0.70). Next, evaluate the structural model (*inner model*) was carried out through R-square analysis, path coefficient, and bootstrapping method with 5,000 subsamples to test the significance of direct influence and mediating effects(Peng et al., 2024).

Table 1. Respondent Identities

Profile	Amount	%
Gender		
Male	149	37.3%
Female	251	62.7%
Age		
17–20 Years	89	22.3%
21–24 Years	220	55.0%
25–29 Years	91	22.7%
Residence (Madura)		
Bangkalan	51	12.8%
Sampang	94	23.5%
Pamekasan	174	43.5%
Sumenep	81	20.2%
BSI Customer Status		
BSI Customer + BYOND User	88	22.0%
BSI Customer (Not Using BYOND)	18	4.5%
Non-Customer (Have Considered BSI)	176	44.0%
Non-Customer (Have Never Considered BSI)	118	29.5%
Cashless Transaction Frequency (Per Week)		
< 5 times	6	1,5%
5-10 times	211	52,8%
11-15 times	179	44,8%
>15 times	4	1,0%

RESULTS AND DISCUSSION

The results of this study were processed and analyzed using SmartPLS 4, which produced data such as Loading Factor, Composite Reliability, Average Variance Extracted (AVE), as well as Direct Effect Hypothesis Testing and Indirect Effect Hypothesis Testing.

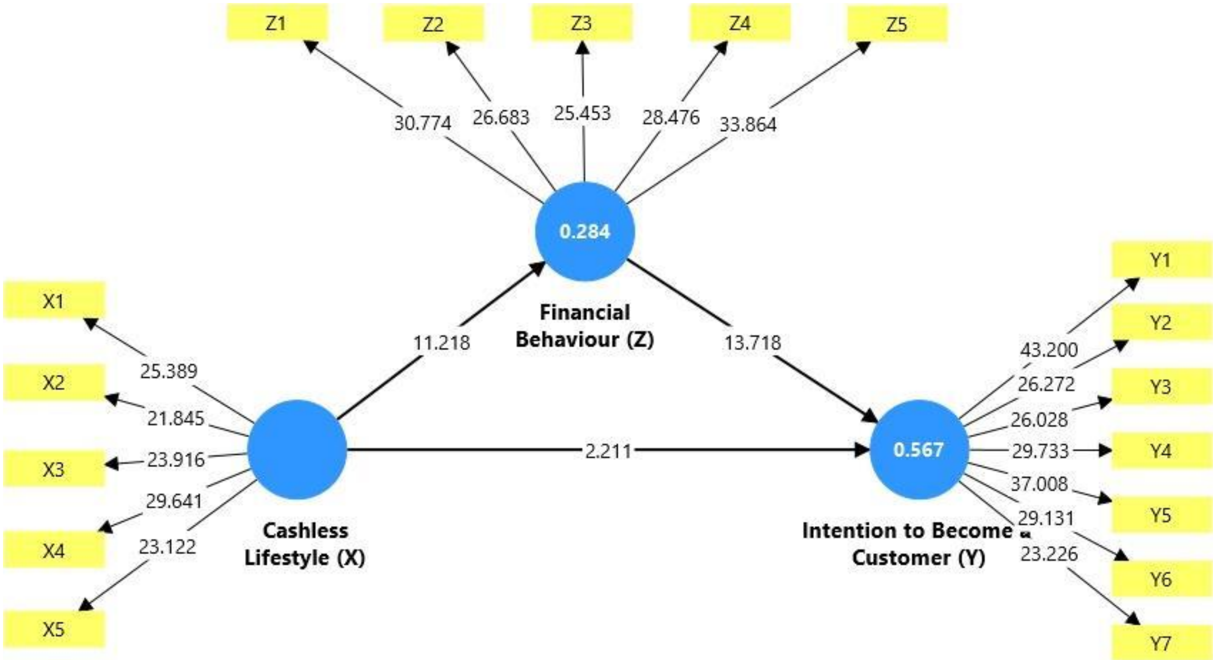


Figure 4. Bootstrapping Results

The loading factor is used to evaluate the degree of strength of the relationship between the indicator and the related variable. This value is a reference to assess the extent to which each item is able to reflect the latent constructs tested in this study (Hair et al., 2021)

Table 2. Outer Loading

Variables and Indicators	()λ	AVE	(α)	CR
Cashless Lifestyle (X)				
I use digital payments for the majority of daily transactions.	0,762	0,566	0,808	0,867
I routinely use QRIS, including BSI's QRIS.	0,724			
I am used to shopping online and paying via the BYOND BSI application.	0,758			
I pay all recurring bills through digital platforms.	0,783			
For me, cashless is part of the modern lifestyle identity.	0,733			
Financial Behavior (Z)				
I regularly check the balance in my digital wallet.	0,771	0,581	0,820	0,874
I always monitor my spending history through the tracking feature.	0,744			
I regularly save, especially on sharia savings products.	0,769			
I always compare prices before deciding to buy.	0,755			
I am interested in learning about the financial manager features in the BYOND application.	0,771			
Interest in Becoming a Customer (Y)				
I am interested in finding information about BSI products and services.	0,820	0,599	0,888	0,913
I compared BSI with other banks before opening an account.	0,760			
I felt interested in the concept of Islamic banking at BSI.	0,746			
I am happy to be a BSI customer.	0,777			

I plan to open an account with BSI in the near future.	0,788
I would recommend BSI to family or friends.	0,773
I intend to try BSI's products or services.	0,750

Based on the empirical data presented in Table 2, the results of the convergent validity test prove that all reflective indicators maintained in the model have a outer loading value above the threshold of 0.70, with a range of moving values from 0.724 to 0.820. This finding is in line with Sarstedt et al., (2017) who statet that a outer loading factor above 0.70 indicates that the construct is able to explain more than 50% of the variance of the indicator. The convergent validity was strengthened by the acquisition of the Average Variance Extracted (AVE) value in each latent variable, namely Cashless Lifestyle (0.566), Financial Behavior (0.581), and Interest in Becoming a Customer (0.599). Since all AVE values are above the critical limit of 0.50, the fulfillment of convergent validity in this modeling is declared absolute (Hair et al., 2019).

In instrument reliability testing, evaluation is carried out through Cronbach's Alpha and Composite Reliability (CR) parameters. The Cashless Lifestyle construct produced an Alpha value of 0.808 and a CR of 0.867; Financial Behavior produced an Alpha of 0.820 and a CR of 0.874; and Interest in Becoming a Customer resulted in an Alpha of 0.888 and a CR of 0.913. According to Garson, (2016), Cronbach's alpha and Composite Reliability values that are above 0.70 reflect a very strong level of internal consistency reliability and indicating acceptable internal consistency and reliability. Thus, all measurement instruments are considered valid and reliable to be used in the next stage of model estimation.

The evaluation of structural models (inner models) is focused on assessing the predictive strength of the model and testing the significance of the causality relationship and hypothesis proposed between latent variables. This test was measured through determination coefficients (R^2), path coefficients, T-statistical values, and p-value through the bootstrapping method (Hair et al., 2014). The coefficient of determination (R^2) is applied to measure how much variation of exogenous (independent) variables can explain the variability of endogenous (dependent) constructs.

Table 3. R-Square Value

Variables	R-square	R-square adjusted
Financial Behavior	0,284	0,282
Interest in Becoming a Customer	0,567	0,565

Based on criteria Hair et al., (2019), the predictive strength of the structural model (R^2) is grouped into strong (0.75), medium (0.50), and weak (0.25). The calculation results in Table 3 show that the R^2 value of the Financial Behavior variable is 0.284, which means that the variation in Cashless Lifestyle is able to explain the financial behavior of Generation Z by 28.4% (weak category), while the remaining 71.6% is influenced by other factors outside the model. On the other hand, the R^2 value for Interest in Becoming a Customer was obtained at 0.567. These findings prove that the combination of Cashless Lifestyle and Financial Behavior variables was able to explain the interest variability of 56.7% (moderate category), while the remaining 43.3% was influenced by other variables that were not studied.

Furthermore, direct effects testing was carried out using two-tailed test analysis at a significance level (alpha) of 5%. According to Hair et al., (2017) and Setiabudhi et al., (2025), a hypothesis is declared acceptable if the T-statistical value exceeds the critical limit of 1.96 (T-statistics > 1.96) and the significance value is below 0.05 (p-value < 0.05).

Table 4. Direct Effects Hypothesis Test Results

Hypothesis	Original Sample	T Statistics	P Values	Description
Cashless Lifestyle -> Interest in Becoming a Customer	0,128	2,211	0,027	Accepted
Cashless Lifestyle -> Financial Behavior	0,533	11,218	0,000	Accepted
Financial Behavior - > Interest in Becoming a Customer	0,677	13,718	0,000	Accepted

The bootstrapping results in Table 4 show that all the variables tested are positive and significant, with a t-statistical value above 1.96 and a p-value below 0.05. Cashless Lifestyle has been shown to have a significant positive influence on Customer Interest (t = 2.211, p = 0.027) as well as a very significant influence on Financial Behavior (t = 11.218, p = 0.000). In addition, Financial Behavior also has a positive and significant effect on Customer Interest (t = 13.718, p = 0.000). This indicates that the increasingly intensive digital lifestyle among Generation Z will strengthen their personal financial governance, which in turn encourages increased interest in using Islamic banking services at Bank Syariah Indonesia.

Direct effect testing is aimed at estimating the magnitude of the influence of independent variables on dependent variables. The criteria for accepting hypotheses that show a positive and significant influence require the acquisition of a t-statistical value of > 1.96 and a p-value coefficient of < 0.05 (Garson, 2016) (Hair et al., 2014).

Table 5. Indirect Effects Hypothesis Test Results

Hypothesis	Original Sample	T Statistics	P Values	Description
Cashless Lifestyle-> Financial Behavior -> Interest in Becoming a Customer	0,361	8,603	0,000	Accepted

Based on the bootstrapping results in Table 5, it is known that the Financial Behavior variable significantly mediates the influence of Cashless Lifestyle on Customer Interest, with a t-statistical value of 8.603 and a p-value of 0.000 (t > 1.96 and p < 0.05). These results show that the digital lifestyle felt by consumers not only has a direct effect on customer interest, but also indirectly increases that interest through the formation of good financial behavior. Thus, Financial Behavior is proven to be a mediating variable that strengthens the relationship between Cashless Lifestyle and Interest in Becoming a Customer in Islamic banking products at Bank Syariah Indonesia.

DISCUSSION

The Influence of Cashless Lifestyle on Intention to Become a Customer

The test results show that the cashless lifestyle has a positive and significant effect on the intention to become a customer with a value $t = 2.211$ (>1.96) and $p = 0.027$ (<0.05), so H1 is accepted. This finding indicates that the higher the intensity of Generation Z using digital payment methods such as QRIS and online shopping applications, the greater their interest in becoming customers of Bank Syariah Indonesia (BSI). This condition is supported by empirical facts in the field that as many as 44.0% of respondents are non-customers who have actively considered choosing BSI. The habit of cashless transactions encourages consumer orientation to banks that are practical, fast, and integrated with the digital ecosystem. These results are in line with Lifestyle Theory (Plummer, 1974) which states that activity patterns shape individual preferences towards institutions, as well as reinforcing the study of Kimiagari & Baei, (2022) that technological integration increases the intention to use digital banking.

The Influence of Cashless Lifestyle on Financial Behavior

Furthermore, the cashless payment practices has been proven to have a positive and significant effect on financial behavior (t = 11,218; p = 0.000), therefore, H2 is accepted. The intensive use of non-cash transactions encourages Generation Z to have better financial behavior in managing budgets and monitoring expenses. The respondents' transaction data profiles confirm this, where the majority make non-cash transactions 5–10 times (52.8%) and 11–15 times (44.8%) in a week. The ease of tracking balance history in real-time through a digital payment system trains consumer discipline in evaluating daily expenses in a structured manner. These findings support research by Yousef, (2024) which states that the use of digital wallets has a positive and significant effect on improving personal financial control and management

The Influence of Financial Behavior on Intention to Become a Customer

Testing the third hypothesis (H3) also shows that financial behavior has a positive and significant effect on the intention to become a customer (t = 13,718; p = 0.000). The wiser and more planned the financial behavior of Generation Z, the stronger their interest in becoming BSI customers. Characteristics of respondents dominated by productive age 21–24 years (55.0%) reinforce this analysis, because in the transition phase to financial independence, they began to selectively choose long-term banking partners. In addition, the respondents were predominantly from Pamekasan (43.5%) and Sampang (23.5%), providing representation from two major areas of Madura. Individuals who have mature financial management in this region tend to choose financial institutions that are digitally secure while meeting compliance with sharia principles through platforms such as BYOND BSI. This is consistent with the Theory of Planned Behavior (Ajzen, 1991) about the role of self-control in shaping behavioral intentions, and in line with the findings of Fitria & Priantina (2025).

The Mediating Role of Financial Behavior in the Influence of Cashless Lifestyle on Intention to Become a Customer

The findings for the fourth hypothesis (H4) confirm that a cashless lifestyle exerts a significant indirect effect on the intention to become a customer through financial behavior (t = 8.603 > 1.96; p = 0.000), thereby accepting H4. A cashless lifestyle does not automatically alter banking preferences overnight; rather, it functions as an essential catalyst that reshapes individual financial behavior into a more disciplined structure first. The heightened financial consciousness stemming from this modern lifestyle subsequently channels consumer preferences toward choosing a BSI account to support a structured and ethical transaction ecosystem. The automated expense tracking and budgeting tools within the BYOND BSI application serve as a primary value proposition for the 22.0% of respondents who are already active users. This indirect mediation effect reinforces the framework by Mubarok et al., (2025), which highlights that digital technology adoption is considerably more effective in driving Islamic banking adoption when paired with sound financial behavior.

Based on the overall results of this study, it can be concluded that all four hypotheses of this study are accepted. Cashless lifestyle, operationalized through the frequency of non-cash payment usage, digital application engagement, and transaction convenience, has been proven to have a positive and significant direct effect on the Intention to Become a Customer of Bank Syariah Indonesia (BSI) among Generation Z in East Java (H1). This supports the foundational premises of Lifestyle Theory (Plummer, 1974), while also reinforcing the Technology Acceptance Model (Davis et al., 1989) and empirical insights from Islam & Ferrer, (2025) and Fasnacht, (2026) which assert that daily digital interaction patterns and seamless payment ecosystems directly reduce adoption friction and shape institutional brand orientation. Furthermore, a digital payment behavior exerts a strong, positive, and significant influence on Financial Behavior (H2). In line with the Pain of Paying framework Prelec & Loewenstein, (1998), continuous interaction with real-time digital balance histories counteracts impulsive spending, thereby cultivating greater financial discipline, budgetary awareness, and expense tracking among young consumers.

Through the integration of Lifestyle Theory and Theory of Planned Behavior, this study moves the boundaries of science (body of scientific knowledge) forward by proving that financial behavior acts as an essential mediating variable (missing link) that strengthens the relationship. These findings confirm that digital transaction habits do not necessarily change banking preferences instantly, but rather must first reform individual financial behavior to be more disciplined and wise, which in turn drives their strategic intention to choose an institution of ethical value and long-term orientation such as Bank Syariah Indonesia (BSI).

However, the results of this study must be generalized carefully because they have limitations in the sample coverage of specific geographical areas on the island of Madura as well as the limitations of the variables studied. Therefore, future research is recommended to expand the geographical scope beyond Madura to a national level and compare urban and suburban areas to assess the consistency and generalizability of the findings. Future studies may also incorporate additional variables, such as digital financial literacy, perceived technological ease of banking applications such as BSI's BYOND, religiosity, and perceived risk, either as moderating or control variables. These extensions are expected to provide a more comprehensive understanding of the factors influencing Generation Z's adoption of Islamic banking.

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