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THE EFFECT OF FINANCIAL LITERACY AND TRUST ON THE INTEREST OF MILLENNIALS IN USING SHARIA INSURANCE

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ABSTRACT

This study aims to determine (1) the effect of financial literacy and (2) the effect of trust on the interest of the millennial generation in using Sharia insurance. This study adopted a quantitative approach. The population in this study is the community that belongs to the millennial generation and uses Sharia insurance. Sampling was conducted using a non-probability sampling method with a purposive sampling technique. This study uses primary data sources with data collected through online questionnaires/Google forms. Data analysis in this study used Smart PLS 3.2.9. The data analysis methods used in this study included validity tests, reliability tests, coefficient of determination (R^2), hypothesis testing, and path analysis. The results indicate that financial literacy does not significantly affect millennials' interest in using Sharia insurance, while trust does. Financial literacy and trust can explain the interest in using Sharia insurance by 35.9%, while the remaining 64.1% is explained by other variables that were not studied. Future research should include more independent variables to determine the influence of other variables on millennials' interest in using Islamic insurance.

Keywords: *Financial Literacy, Trust, Interest*

ABSTRAK

Penelitian ini bertujuan untuk mengetahui (1) pengaruh literasi keuangan dan (2) pengaruh kepercayaan terhadap minat generasi milenial menggunakan asuransi syariah. Jenis penelitian ini menggunakan pendekatan kuantitatif. Populasi dalam penelitian ini adalah masayarakat yang termasuk generasi milenial yang menggunakan asuransi syariah. Pengambilan sampel dilakukan dengan metode non probability sampling dengan teknik purposive sampling. Penelitian ini menggunakan sumber data primer dengan pengumpulan data melalui kuesioner online / google form. Analisis data penelitian menggunakan Smart PLS 3.2.9. Metode analisis data yang digunakan dalam penelitian ini meliputi uji validitas, uji reliabilitas, koefisien determinan (R^2), uji hipotesis dan analisis jalur. Hasil penelitian menunjukkan bahwa literasi keuangan tidak memiliki pengaruh yang signifikan terhadap minat generasi milenial menggunakan asuransi syariah sedangkan kepercayaan memiliki pengaruh yang signifikan terhadap minat generasi milenial menggunakan asuransi syariah. Literasi keuangan dan kepercayaan dapat menjelaskan minat menggunakan asuransi syariah sebesar 35,9%, sementara sisanya 64,1% dijelaskan oleh variabel lain yang tidak diteliti. Diharapkan penelitian selanjutnya akan mencakup lebih banyak variabel independen, sehingga dapat diketahui pengaruh variabel lainnya terhadap minat menggunakan asuransi syariah pada generasi milenial.

Kata Kunci: *Literasi Keuangan, Kepercayaan, Minat*

A. INTRODUCTION

Indonesia has the largest Muslim population worldwide. Based on data as of 3 March 2025 the Muslim population in Indonesia reached 244.7 million of a total population of 281.3 million (Wafa, 2025). With a large Muslim majority, Indonesia's Islamic finance market has enormous potential. One Islamic financial product that has experienced significant growth is Islamic insurance (takaful). The Islamic insurance industry recorded premiums of IDR 9.84 trillion as of April 2025, experiencing an annual growth of 8.04%, with claims paid increasing by 8.10% to IDR 7.39 trillion, and assets rising by 4.35% annually. This growth reflects the high level of interest and trust in Islamic insurance among the public, supported by increasingly robust regulations and continuous product innovation (Finansial.bisnis.com, 2025).

The development policy for Sharia insurance is regulated by Law No. 40 of 2014 concerning insurance. This regulation stipulates that insurance and reinsurance companies must have a Sharia Business Unit (UUS) with tabarru' funds and participant investment funds reaching a minimum of 50% of the total parent funds, or ten years after the law was issued (Suryawadi, 2021). The spin-off policy for Sharia Business Units is expected to accelerate the growth of the Sharia insurance industry, increase independence, provide room for innovation, and strengthen corporate governance based on Sharia principles (Arianty & Ghoni, 2023).

Table 1. Sharia Insurance Growth in May 2025

Report	Asset (Trilion)		Contribution (Trilion)		Claims (Trilion)		Investment (Trilion)	
	2024	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**	**2025**
Sharia Life Insurance	33,18	34,7	8,70	9,20	1,52	1,59	26,47	27,25
Sharia General Insurance	9,24	9,59	1,38	1,07	0,52	0,51	6,76	7,25
Sharia ReInsurance	2,87	2,95	0,39	0,40	0,44	0,45	2,37	2,46
Total	**45,30**	**47,02**	**10,49**	**10,67**	**2,48**	**2,55**	**35,61**	**36,97**

Source: OJK Publication Data (Asosiasi Asuransi Syariah Indonesia, 2025)

Based on Table 1, the total assets in the Islamic insurance industry recorded growth of 3.79% (YoY) from 2024 to 2025, increasing from IDR 45.30 trillion to IDR 47.02 trillion. This growth shows that the Islamic insurance industry remains on a positive track, with sufficient resilience to economic dynamics. The total contribution of the Islamic insurance industry increased from IDR 10.49 trillion in 2024 to IDR 10.67 trillion in 2025, recording a growth of 1.74% (year-on-year). This growth is considered moderate and shows that this sector continues to grow despite challenges in maintaining overall growth. Total claims increased from IDR 2.48 trillion, with a growth of 2.77% (YoY). This increase is within reasonable limits and lower than the growth in contributions (1.74%), indicating fairly good risk management and a well-maintained portfolio of the fund. Total sharia insurance investments grow by 3.82% from IDR 35.61 trillion in 2024 to IDR 36.97 trillion in 2025. This reflects optimism and stable fund performances.

Sharia insurance has been declared halal by the Indonesian Ulema Council (MUI) through the National Sharia Council Fatwa No. 21/DSN-MUI/X/2021, concerning the General Guidelines for Sharia Insurance. There are several products offered in Islamic insurance, including Islamic life, health, education, investment, and loss insurance, Hajj and Umrah insurance, and group Islamic insurance. Islamic insurance is one of the indicators that can affect a person's quality of life; however, many people in Indonesia lack knowledge about insurance (Rossela & Muhammad, 2024).

Shariah insurance protects the insured against risks experienced by individuals and companies (Badruzaman, 2019). Protection against uncertainties and various threats that arise in daily life or business. Individual insurance can cover various health issues, accidents, and property damage, offering financial security and peace of mind (Permata Wulandari, 2024). For insurance companies, addressing the risks of liability claims, property loss, and operational disruptions ensures stability in their business activities (Sugiarto, 2024). The existence of risks covered by insurance, both for companies and individuals, aims to reduce the financial impact of unexpected events and enable problems to be quickly resolved, thereby maintaining financial well-being.

Sharia insurance has two contracts: the tabarru' and mudharabah contracts. The tabarru' contract is a donation contract obtained from insurance participants who voluntarily deposit funds to help other members who experience misfortunes or insured risks. In this contract, the funds collected are used to pay insurance claims in accordance with Sharia principles (Mandani et al., 2023). Mudharabah is a profit-sharing agreement that regulates funds that are not used for investment claims (Fadilah & Makhrus, 2019). Both types of Sharia insurance contracts are based on the principles of fairness, transparency, and compliance with Islamic law, avoiding elements of usury, uncertainty, and gambling (Khilmi, 2021). Sharia insurance products cover various types of protection designed in accordance with Islamic Sharia principles (Nasution, 2024).

The factors influencing interest include perceptions of financial literacy and trust, with the dependent variable being interest in using Islamic insurance. The principles of Islamic insurance, with the use of insurance in accordance with Islamic principles, are expected to be beneficial for companies and the community that will use Islamic insurance, as well as for future researchers who will study Islamic insurance. A previous study by Aldhanya Nonci showed that Islamic financial literacy significantly affects interest in saving at Islamic banks in Indonesia. The higher the level of knowledge about Islamic finance, the higher the interest in saving money in Islamic banks (Nonci, 2024). Furthermore, previous research conducted by Riduan et al. found that trust influences interest in using Islamic banks; the higher the public's trust in Islamic banks, the stronger their inclination to save in Islamic banks (Riduan et al., 2024).

B. LITERATURE REVIEW

Sharia insurance is a bond between the insured and insurer. The insurer provides compensation to the insured in the event of an incident or disaster that is covered by the policy. The insured party pays a certain amount of money to the insurer as a premium, which is a form of compensation for the transfer of risk from the insured party to the insurer. Financial literacy is a process that improves consumers' understanding, knowledge, skills, and confidence to manage their finances better. Financial literacy aims to provide knowledge of the benefits, advantages, and risks of Islamic insurance products, as well as the rights and obligations of Islamic insurance customers.

Trust can be established if a company meets the needs and expectations of consumers, who will be satisfied with the product. The components that can influence trust include cognitive, affective, and conative components. If consumers trust a product brand, they will be interested in saving money and using it. Purchase interest is a tendency that a person has before making a purchase decision. Purchase interest arises when a person feels attracted to a product and wants to buy it. Interest in using Sharia insurance arises when consumers are attracted to its advantages and benefits.

C. RESEARCH METHODS

This study uses a quantitative approach that utilises quantitative data to predict future trends and population conditions based on statistical analysis (Mukhid, 2021). The population used in this study is Indonesians of productive age, namely those aged 20-64 years who have never used or have used Sharia insurance. This study used purposive sampling. This study aims to determine the interest of Indonesians in participating in Sharia insurance. The data used in this study were primary data collected from questionnaires distributed via Google Forms to Indonesians.

The data were processed using SMART-PLS by analysing the outer model suitability and inner model estimation. Each statement had indicators measured using a Likert scale (1-6). Based on the theory presented, a conceptual framework was created for analysis using the conceptual model.

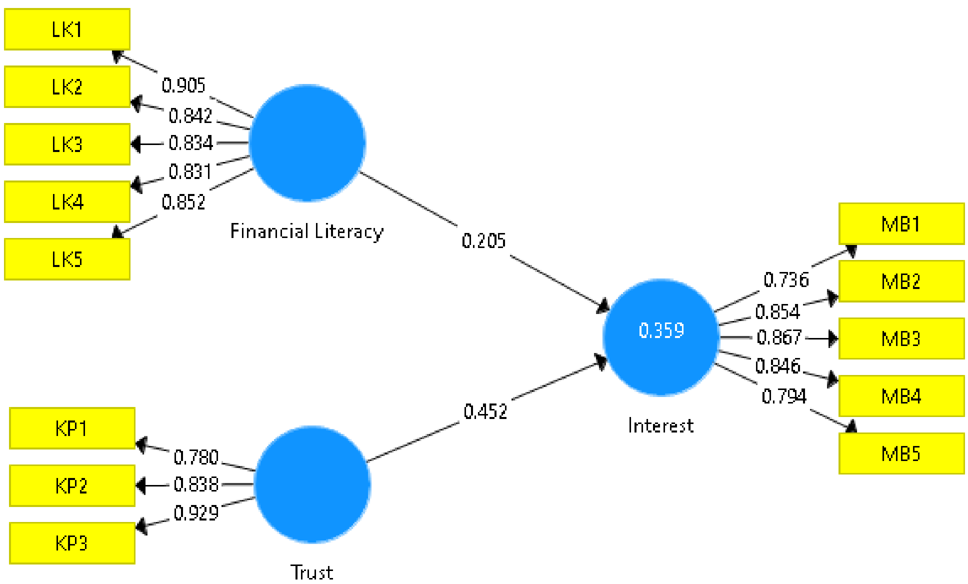
Table 2. Statement Items

Variable	Item	Source
Financial Literacy (X1)	LK	(Nomi & Sabbir, 2020)
Trust (X2)	KP	(Aziz et al., 2019)
Interest (Y)	MB	(Maduku & Mbeya, 2023)

Source: Data Processed by the Author, 2025

D. RESULTS AND DISCUSSION

Figure 1 Outer Model



Source: Primary Data Processed 2025

Convergent Validity

Table 3 *Outer Loading*

Variable	Indicator	*Outer Loading*	Information
Financial Literacy	LK1	0.905	Valid
	LK2	0.842	Valid
	LK3	0.834	Valid
	LK4	0.831	Valid
	LK5	0.852	Valid
Trust	KP1	0.780	Valid
	KP2	0.838	Valid
	KP3	0.929	Valid
Interest	MB1	0.736	Valid
	MB2	0.854	Valid
	MB3	0.867	Valid
	MB4	0.846	Valid
	MB5	0.794	Valid

Source: Primary Data Processed 2025

Based on Table 3, each indicator in each construct variable has an outer loading value greater than 0.7. This indicates that all indicators met the criteria for good convergent validity. This shows that all indicators are valid and can be used as accurate measurement tools in this research analysis.

Discriminan Validity

Table 4 *Average Variance Extracted* (AVE)

Variable	*Average Variance Extracted* (AVE)	Information
Financial Literacy	0.728	Valid
Trust	0.725	Valid
Interest	0.674	Valid

Source: Primary Data Processed 2025

Based on Table 4, it can be seen that the AVE value for the financial literacy variable is 0.728, the trust variable is 0.725, and the interest variable is 0.674. This indicates that each variable in this study met the validity criteria.

Reliability Test

Table 5 *Composite Reability*

Variable	*Composite Reability*	Information
Financial Literacy	0.930	Reliabel
Trust	0.887	Reliabel
Interest	0.911	Reliabel

Source: Primary Data Processed 2025

Based on Table 5, it can be seen that all variables have a Composite Reliability value of more than 0.7. The value of the financial literacy variable is 0.930, the value of the trust variable is 0.887, and the value of the interest variable is 0.911. This means that these values indicates that each variable in this study is reliable because the indicators are consistent in measuring the construction of each variable.

Reliability testing, in addition to using Composite Reliability, can also be supported by testing Cronbach's alpha values. This test is considered reliable if the Cronbach's alpha value is above 0.7, indicating that the indicators have good consistency (Ghozali, 2018). The Cronbach's alpha values for each variable are presented in Table 6.

Table 6 Cronbach's Alpha

Variable	*Cronbach's Alpha*	Information
Financial Literacy	0.907	Reliabel
Trust	0.808	Reliabel
Interest	0.880	Reliabel

Source: Primary Data Processed 2025

Based on Table 6, it can be seen that the Cronbach's Alpha value for all variables is greater than 0.7. The value for the financial literacy variable was 0.907, the value for the trust variable was 0.808, and the value for the interest variable was 0.880. This means that these values indicates that each variable in this study can be considered reliable because the indicators are consistent in measuring the construction of each variable.

Coefficient of Determination

Table 7 R-Square Analysis

	R-Square	*R-Square Adjusted*
Interest	0.359	0.345

Source: Primary Data Processed 2025

Table 7 shows that the R2 value for the interest variable is 0.359 (35.9 %). This means that the financial literacy and trust variables contribute 35.9% to the interest variable. The remaining 64.1% was influenced by other factors outside the variables of this study. The results of the model in this study significantly contribute to understanding the relationship between variables and can be used as a reference for further research.

Hypothesis Testing

Table 8 T-test Analysis

	T Statistik (|O/STDEV|)	P Values
Financial Literacy -> Interest	1.518	0.130
Trust -> Interest	4.023	0.000

Source: Primary Data Processed 2025

Table 8 shows that financial literacy has a t-statistic value greater than the t-table, which is 1.518, smaller than 1.67. This means that financial literacy has a positive but insignificant effect on interest. This proves that the hypothesis stating that financial literacy has a significant effect on interest (H1) is invalid and proven to be untrue.

Furthermore, trust has a t-statistic value greater than the t-table, namely, 4.023, which is greater than 1.67. This indicates that trust has a positive and significant effect on interest. This proves that the hypothesis stating that trust has a significant effect on interest (H2) is valid and proven to be true.

Path Coefficient Analysis

Table 9 Path Coefficient Analysis

	Sample Original (O)	Flat-Sample Average (M)	Standard Deviation (STDEV)	T-Statistics (|O/STDEV|)	P Values
Financial Literacy -> Interest	0.205	0.218	0.135	1.518	0.130
Trust -> Interest	0.452	0.452	0.112	4.023	0.000

Source: Primary Data Processed 2025

Based on Table 9, the t-statistic for the effect of financial literacy on interest is less than 1.67, namely 1.518, and the p-value is greater than 0.05, namely 0.130. This means that it can be concluded that financial literacy does not have a significant effect on interest. Thus, Hypothesis (H1), which states that financial literacy (X1) has a significant effect on interest (Y), is not proven.

Furthermore, the t-statistic for the effect of the trust variable on interest was greater than 1.67, namely 4.023, and the p-value was less than 0.05, namely 0.000. This indicates that trust has a significant effect on interest. Thus, Hypothesis (H2), which states that trust (X2) has a significant effect on interest (Y), is proven.

Discussion

The Effect of Financial Literacy on Millennials' Interest in Using Sharia Insurance

The test results show that financial literacy has no effect on Millennials' interest in purchasing Sharia insurance. This study is similar to previous research conducted by Khoiriah and Nurbaiti, who stated that financial literacy has no effect on millennials' interest in using Sharia insurance (Hasibuan & Nurbaiti, 2023). Research conducted by Alfajri et al. also showed that financial literacy has no effect on interest in using Sharia insurance (Alfajri et al., 2024). However, this differs from research conducted by Saputra, who stated that financial literacy has a positive effect on interest in becoming a customer (Saputra, 2022).

Millennials lack an understanding of the concept and knowledge of Sharia insurance. Many millennials still do not understand Sharia insurance, resulting in Sharia financial literacy having no effect on their interest in saving with Sharia insurance. The lack of promotion and education is also a factor in millennials not understanding the benefits and advantages of Sharia insurance, resulting in a decline in interest in saving with Sharia insurance.

The Effect of Trust on Millennials' Interest in Using Sharia Insurance

The test results show that the trust variable influences the purchasing interest of millennials in saving with Islamic insurance. This study is similar to the previous research conducted by Ahmad Buchori et al., which states that trust has a positive influence on the interest in using Islamic insurance among millennials (Buchori et al., 2022).

The factors that influence millennials' trust are technology and social media. They seek information related to Sharia insurance, believing that Sharia insurance financial institutions are very transparent and uphold the principle of honesty; therefore, they trust and believe that Sharia insurance priorities Islamic values and principles. In addition, social media serves as a means to see the responses of people who already use Islamic insurance by providing good reviews, which influences the millennial generation's interest in using Islamic insurance.

E. CONCLUSIONS

Based on the results of the research and discussion, financial literacy has no influence on the interest in using Sharia insurance among millennials, while trust has an influence on the interest in using Sharia insurance among millennials. Sharia insurance institutions can make efforts such as promoting on social media and holding Sharia financial literacy seminars through digital platforms to reach millennials who follow technological advances. Trust has a significant influence on millennials' interest in using Sharia insurance, meaning that trust is the foundation for attracting interest in using Sharia insurance, which is supported by Islamic principles that are good and beneficial. Future researchers should use other variables to determine the factors influencing interest in using Sharia insurance.

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