



## Spiritual Identity and Ethical Engagement: Urban Muslim Millennials' Experiences with Sharia-Compliant Financial Services

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### ABSTRACT

Islamic finance has emerged as a dynamic sector that blends economic functionality with spiritual and ethical principles. Among urban Muslim millennials, the adoption of sharia compliant financial services extends beyond transactional purposes to embody moral commitment, cultural identity, and personal faith. This study explores how these individuals experience and interpret their engagement with Islamic banking, fintech platforms, and microfinance institutions. Guided by Interpretative Phenomenological Analysis (IPA), twelve participants were interviewed using a semi-structured approach to capture detailed narratives of their financial practices. The thematic analysis revealed four core dimensions: spiritual tranquility achieved through the avoidance of *riba* identity affirmation via financial choices, trust dynamics with Islamic financial institutions, and moral empowerment in pursuing economic goals. These findings demonstrate that Islamic financial participation among young urban Muslims operates at the intersection of modernity and religiosity, serving as both a socio-economic strategy and a form of spiritual expression. By uncovering the lived realities behind financial behavior, this research offers fresh insight into Islamic economics, suggesting that effective engagement with this demographic requires attention to authenticity, ethical transparency, and the integration of religious values into financial innovation.



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## INTRODUCTION

In contemporary Muslim societies, the integration of religious principles into financial decision-making has gained significant prominence, especially among younger generations navigating modern economic systems. The global rise of Islamic finance reflects not only a growing demand for sharia-compliant financial services but also a broader socio-cultural movement toward ethical and value-driven economic practices. In Indonesia, home to the largest Muslim population in the world, this trend has intensified in urban areas where access to Islamic banking, fintech, and microfinance services has expanded significantly (Abbas & Nainggolan, 2023). Within this context, Islamic financial products are not merely tools for economic transactions but are increasingly seen as expressions of personal faith, cultural identity, and spiritual discipline.

The relevance of this phenomenon lies in the complex interplay between individual beliefs, socio-economic aspirations, and modern financial behavior. For many urban Muslim millennials, the choice to use Islamic financial products goes beyond compliance with religious obligations—it represents a conscious negotiation of identity and a quest for moral coherence in the midst of capitalist modernity. These individuals often find themselves at the intersection of tradition and innovation, seeking financial empowerment while maintaining a sense of religious authenticity. Their experiences embody a rich tapestry of meaning that extends beyond functional use, encompassing emotional, spiritual, and cultural dimensions.

Given the inherently subjective and value-laden nature of this phenomenon, a deeper understanding is required—one that moves past behavioral models and statistical trends. There is a

pressing need to explore how individuals experience and interpret their engagement with Islamic finance on a personal level. Phenomenology, with its emphasis on lived experience and meaning-making, offers a suitable approach for capturing the nuanced ways in which urban Muslim millennials navigate and assign meaning to their financial choices (Agosin dkk., 2019). Through this lens, the study seeks to uncover the essence of their experiences, contributing to a more holistic understanding of Islamic economics as both a financial system and a cultural practice.

Research into the lived experiences of individuals engaging with Islamic financial products has emerged as a significant area within the broader field of Islamic economics. This subfield seeks to understand how religious beliefs, cultural values, and individual perceptions shape economic behavior, particularly among populations for whom faith-based principles guide daily life decisions. Among urban Muslim millennials, the use of Islamic financial services represents a complex phenomenon involving not only economic rationality but also spiritual commitment, identity affirmation, and ethical reasoning. However, despite its relevance, this experiential dimension remains underexplored in the existing literature.

A major challenge in studying this phenomenon lies in the methodological limitations of dominant research paradigms. Much of the current scholarship relies heavily on quantitative frameworks such as the Theory of Planned Behavior (Ahmad & Shah, 2022) and structural equation modeling (Ahmad dkk., 2023), which, while valuable for identifying general trends, often fall short in capturing the nuanced, subjective meanings that individuals attach to their financial decisions. These methods tend to reduce complex personal experiences into predefined variables, overlooking the richness of participants' inner worlds and the contextual intricacies of their religious and cultural environments.

Consequently, many previous studies have been constrained in their ability to grasp the deeper essence of how and why urban Muslim millennials engage with Islamic financial systems. The reliance on structured survey instruments and statistical generalizations has left a gap in understanding the phenomenological core of this engagement—the emotions, reflections, and spiritual interpretations that accompany financial practices. This limitation highlights the need for a qualitative, experience-centered approach that privileges participants' voices and emphasizes meaning over measurement. Phenomenology, particularly in its interpretative form, is uniquely positioned to address this gap by foregrounding the subjective realities and existential concerns of individuals within specific sociocultural contexts.

Current research on Islamic financial behavior, particularly among Muslim millennials in urban settings, predominantly employs established practical models that emphasize behavioral intention and decision-making patterns. These models, such as the Theory of Planned Behavior and various quantitative consumer behavior frameworks, have contributed valuable insights into factors influencing the adoption of Islamic financial products (Ahmed dkk., 2019). However, these approaches largely focus on what individuals do, rather than how they experience or make sense of their engagement with such products. As a result, they offer only a surface-level understanding that fails to capture the deeper meanings, spiritual motivations, and identity negotiations embedded in financial decisions grounded in Islamic values.

This limitation becomes particularly evident when attempting to understand the moral and existential dimensions of financial behavior among young Muslims who are both religiously observant and culturally modern. Quantitative methods, by design, abstract the richness of personal experience into numerical categories, rendering invisible the lived realities and affective complexities that characterize these individuals' interactions with Islamic finance. Consequently, the current body of literature does not adequately reflect the phenomenological core of this engagement—how financial practices are internalized, experienced, and interpreted through a faith-based lens in the context of modern urban life.

To address this shortfall, a more suitable and holistic approach is required—one that moves beyond measuring behavior and instead seeks to uncover the essence of the experience itself. A phenomenological perspective, specifically Interpretative Phenomenological Analysis (IPA), provides an alternative pathway to explore the subjective realities and deeper meanings that conventional

methods overlook. By focusing on the participants' own narratives, perceptions, and contextual interpretations, phenomenology enables a more comprehensive and human-centered understanding of Islamic financial engagement, revealing insights that are both personally significant and socially relevant.

Several studies have explored the behavioral dimensions of Islamic financial product adoption, often emphasizing intention, attitude, and perceived behavioral control using quantitative models. These studies have provided insight into decision-making patterns among Muslim consumers but have rarely focused on the lived experiences of individuals within specific cultural and religious contexts. A few qualitative investigations have begun to address this gap, particularly through interviews and focus group discussions, yet they often stop short of capturing the deeper spiritual and emotional meanings that shape financial behaviour (Ahsan dkk., 2023). The phenomenon of Islamic financial engagement among urban Muslim millennials remains underrepresented in terms of its experiential depth. This study builds on these findings by shifting the focus toward how individuals personally experience and interpret their financial choices within the framework of their faith.

To explore these lived experiences, this study adopts Interpretative Phenomenological Analysis (IPA), a qualitative approach grounded in phenomenological philosophy. IPA was selected for its ability to uncover the meanings individuals assign to their experiences, especially when those experiences are complex, value-driven, and situated within a sociocultural framework. This approach allows for a deeper understanding of how participants make sense of their financial behavior as part of their spiritual identity. In doing so, the study addresses the limitations of previous models by offering insights grounded in human experience, not abstract behavioral constructs. Through IPA, this research responds to the knowledge gap by illuminating the essence of Islamic financial engagement in everyday life.

This article is structured to guide the reader through the research process and findings. The introduction presents the context, background, and rationale for the study (Akhter & Yong, 2021). The method section outlines the phenomenological approach, participant selection, and procedures for data collection and analysis. The results section presents the emergent themes with narrative depth and direct quotations from participants. Finally, the discussion interprets the findings in relation to the literature and theoretical implications, followed by conclusions highlighting key insights and directions for future research.

## **RESEARCH METHODS**

### **Study Design**

This study employed an interpretative phenomenological approach to explore the lived experiences and subjective meanings associated with the use of Islamic financial products among urban Muslim millennials. Phenomenology was chosen for its capacity to reveal deep, nuanced understandings of human experiences, particularly those grounded in socio-religious contexts. Interpretative Phenomenological Analysis (IPA), a strand of phenomenology rooted in Heideggerian philosophy, was adopted to examine how individuals make sense of their experiences within their cultural and spiritual lifeworlds (Aksoy dkk., 2021). This approach was deemed appropriate as it emphasizes the co-construction of meaning between participant and researcher, allowing for the interpretation of rich, personal narratives in relation to broader existential and identity-based questions.

IPA was selected specifically to address the research gap regarding the internal, meaning-making processes often overlooked in prior quantitative Islamic finance studies.

### **Participants**

Participants were urban Muslim millennials residing in Indonesia who had prior or ongoing experience using Islamic financial services, such as Islamic banking, Islamic fintech platforms, or sharia-compliant microfinance. Selection was based on purposive sampling to ensure that all individuals had significant and relevant exposure to the phenomenon under study. Inclusion criteria

included being between the ages of 23 and 38, self-identifying as Muslim, residing in urban areas, and having used Islamic financial products for a minimum of six months. Individuals lacking direct experience with such financial products or residing in rural areas were excluded (Aldhamari dkk., 2023). A total of twelve participants (7 males and 5 females), with an average age of 29.4 years, contributed to the study. Most held undergraduate degrees, and all were either employed in professional sectors or operated small businesses in urban settings.

### **Data Collection**

Data were collected through in-depth, semi-structured interviews conducted in person at locations selected by participants to ensure comfort and privacy. Each interview lasted between 45 and 75 minutes and was guided by an interview protocol designed to elicit detailed accounts of participants' experiences, emotions, and interpretations related to Islamic financial product usage. Interviews were audio-recorded with consent, and reflective field notes were taken to capture non-verbal cues and contextual elements (Ali dkk., 2025). The data collection process was designed to be flexible, allowing participants to elaborate freely while maintaining thematic focus. Interviews were transcribed verbatim in the original language and, where necessary, translated into English with attention to preserving contextual and cultural nuances.

### **Data Analysis**

Data were analyzed using Interpretative Phenomenological Analysis (IPA), following the structured steps proposed by Smith, Flowers, and Larkin (2009). The process began with multiple readings of each transcript to immerse in the data, followed by the identification of meaning units and emergent themes. These themes were clustered into higher-order categories reflecting the essence of participants' experiences. The analysis proceeded iteratively across all cases to ensure consistency and to identify shared patterns and variations. NVivo software was utilized to organize codes and track the evolution of thematic structures (Arora & Mishra, 2023). Final themes were derived through thematic reduction and interpretative synthesis, revealing the essential meanings participants attributed to their experiences with Islamic financial products.

### **Ethics**

Ethical approval for the study was obtained from the appropriate institutional review board prior to data collection. Written informed consent was obtained from all participants after they were fully informed about the study's objectives, procedures, and their rights, including the right to withdraw at any time without penalty. Anonymity and confidentiality were strictly maintained throughout the research process. All identifying information was removed or altered during transcription, and data were securely stored in encrypted digital files (Aslam dkk., 2020). The study adhered to the ethical guidelines of the Declaration of Helsinki and complied with relevant national research ethics protocols.

## **RESULTS**

### **Spiritual Tranquility through Financial Purity**

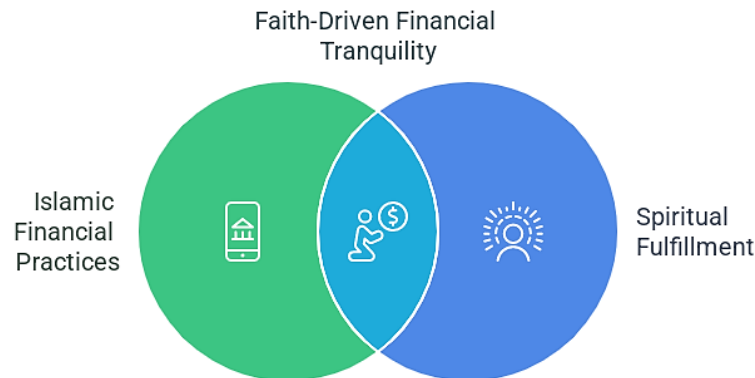
A recurring essence among participants was the perception of inner peace derived from avoiding interest (riba) and aligning financial behavior with Islamic teachings. Participants often equated the use of Islamic financial products with spiritual responsibility and a sense of religious fulfillment.

“Using a sharia-compliant savings account makes me feel that I am not only managing money but also worshipping. I don't worry about riba anymore, and that makes my heart more peaceful.” (P5)

“I chose Islamic fintech because I want to stay away from conventional debt. It's not just about finance; it's about faith.” (P2)

This theme illustrates how economic decisions are deeply intertwined with spiritual values. The participants' experiences reflect a desire to integrate Islamic ethics into everyday financial practices as an expression of faith.

**Where Faith Meets Finance: Spiritual Fulfillment in Islamic Finance**



**Identity Assertion through Financial Behavior**

Many respondents expressed that choosing Islamic financial products was a deliberate act of asserting their religious and cultural identity. It was not merely a rational choice but a symbolic declaration of belonging to the Muslim community.

“When I tell my friends that I use Islamic banking, it’s like saying ‘this is who I am.’ It’s part of my identity as a Muslim in a modern world.” (P9)

“As a millennial, I want to be tech-savvy and modern, but I also want to keep my religious identity. Using Islamic fintech bridges both.” (P4)

This theme highlights the role of Islamic financial engagement as a form of identity negotiation, especially among educated urban youth navigating modernity and tradition.

**Trust and Perceived Authenticity of Islamic Financial Institutions**

Participants revealed mixed experiences with Islamic financial institutions, ranging from high levels of trust to skepticism regarding the authenticity of sharia compliance. While many felt assured, others questioned whether institutions truly adhered to Islamic principles or merely used Islamic branding for profit.

“I use Islamic banking because I believe in the system. I trust the scholars behind it.” (P7)

“Sometimes I wonder if it’s really Islamic or just rebranded conventional products. That makes me cautious.” (P1)

This theme captures the dialectic between perceived trust and underlying doubts, suggesting that experiential authenticity plays a significant role in sustained engagement.

**Economic Empowerment within a Moral Framework**

Participants also perceived Islamic financial services as tools for empowerment, particularly in avoiding exploitative debt cycles. Their narratives pointed to a sense of moral safety and community-focused financial responsibility.

“Sharia loans help me grow my business without feeling like I’m being taken advantage of. It’s empowering but also morally sound.” (P6)

“I don’t just want profit. I want barakah (blessings) in what I earn. That’s what Islamic finance gives me.” (P3)

This theme reflects how economic agency among millennials is framed within Islamic moral boundaries, offering an alternative to individualistic and profit-maximizing financial paradigms.

Across all themes, the findings reveal that Islamic financial products for urban Muslim millennials are not merely instruments of transaction but are imbued with personal, spiritual, and social meaning. These products serve as tools for identity construction, ethical alignment, and socio-religious empowerment. The essence of the phenomenon lies in how these individuals navigate modern financial systems while striving to maintain their Islamic values.

## **DISCUSSION**

The findings of this study reveal that urban Muslim millennials experience Islamic financial products not merely as economic tools, but as deeply meaningful practices that affirm their spiritual identity, ethical values, and socio-religious belonging (Bartlett & Mroczkowski, 2019). These meanings, uncovered through Interpretative Phenomenological Analysis, respond directly to the central research question concerning how individuals make sense of their engagement with Islamic finance in the context of their everyday lives. The emphasis here is not on the functional use of financial products, but on how such usage becomes a vehicle for constructing and expressing religiosity in a modern, pluralistic environment.

This study contributes to Islamic finance literature by demonstrating that participants interpret Islamic financial practices as extensions of personal piety, moral awareness, and collective identity. Their financial decisions were shaped by more than practicality; they reflected a search for coherence between faith and modern life. This extends existing literature by showing that financial engagement is not only a reflection of religious values but a lived and emotionally anchored commitment. In contrast to models emphasizing utility maximization or behavioral intentions, these findings suggest that Islamic finance may serve dual functions: practical financial management and existential meaning-making.

Such duality highlights the inadequacy of reductionist models and calls for expanded theoretical frameworks that accommodate affective, ethical, and spiritual dimensions. The themes identified—such as spiritual tranquility, identity expression, and moral empowerment—align with prior findings (e.g., Bertoni & Groh, 2022; Biktimirov & Afego, 2022), but this study offers further depth by illustrating how these motivations are personally narrated and emotionally internalized. For instance, while previous work identifies religiosity as a driver for Islamic financial adoption, this study elucidates the phenomenological texture of that religiosity: how it feels, how it is performed, and how it is reconciled with modern financial realities. This interpretative emphasis clarifies the symbolic and emotional dimensions often flattened in quantitative models.

From a theoretical standpoint, the findings advocate for a reorientation of Islamic consumer behavior models to include existential and narrative-based understandings. Rather than viewing consumers solely as rational agents, this study foregrounds them as meaning-makers whose financial choices are embedded in moral and spiritual trajectories. Such an approach aligns with calls for more contextual and culturally sensitive economic theories in Muslim-majority societies.

In terms of policy and institutional implications, the findings suggest several directions. First, financial institutions should move beyond surface-level sharia compliance and engage with the deeper spiritual aspirations of Muslim millennials. This could involve revising communication strategies to highlight personal meaning, ethical responsibility, and alignment with faith-based identity. Second, financial literacy programs could benefit from incorporating culturally resonant content that addresses not just how Islamic products work, but why they matter to the target demographic. Third, policymakers might consider supporting community-based Islamic finance initiatives that reflect localized understandings of ethics, trust, and social cohesion—particularly in urban youth communities.

Despite its contributions, this study is not without limitations. The sample size, though adequate for phenomenological inquiry, limits the representativeness of findings. Interpretative saturation was achieved, but the urban, educated profile of participants narrows the contextual scope. Experiences from rural areas, lower-income populations, or non-millennial age groups were not explored and may yield different meaning structures. Moreover, the interpretative nature of IPA

means findings are co-constructed and potentially influenced by researcher biases, despite reflexivity practices.

These limitations suggest caution in generalizing the findings beyond the studied context. However, rather than weakening the study, they underscore the importance of framing its conclusions within epistemological boundaries appropriate to phenomenological research.

Future research could explore similar experiences among diverse demographic groups, including rural populations, older generations, or non-Muslim users of Islamic finance. Comparative studies across cultural or national contexts would offer insights into how localized religiosity shapes financial engagement differently. Furthermore, interdisciplinary designs that combine phenomenology with ethnography or longitudinal methods could capture the evolution of financial meaning across time, crisis, or life stages. Such approaches would allow for a more layered understanding of how Islamic financial practices are entangled with identity, faith, and social change.

In sum, this study offers a human-centered contribution to Islamic economic discourse. By highlighting how financial behaviors are embedded in spiritual and emotional worlds, it invites scholars and practitioners alike to reimagine Islamic finance not just as a regulatory system, but as a lived moral economy.

## CONCLUSION

This study explored how urban Muslim millennials experience and interpret their use of Islamic financial products within their daily lives. Through a phenomenological lens, the research uncovered that participants view these financial practices as expressions of spiritual identity, ethical commitment, and cultural belonging. The findings reveal four key themes—spiritual tranquility, identity assertion, institutional trust, and moral empowerment—each illustrating the rich, personal meanings behind financial decisions. These insights address gaps in prior literature, which often focused on behavioral models and lacked depth in capturing lived experiences. By highlighting the subjective and emotional dimensions of Islamic financial engagement, the study offers a more human-centered understanding of Islamic economics. Future research could expand this inquiry across diverse populations or apply longitudinal approaches to capture evolving financial and spiritual trajectories.

## CONFLICT OF INTEREST

The authors declare that there is no conflict of interest regarding the publication of this article. All financial and institutional support has been transparently acknowledged, and the research was conducted independently without influence from the funding body.

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