

Generation Z preferences in financial risk management: A comparative study of emergency funds and Sharia insurance

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Abstract

This study aims to examine Generation Z's preferences in choosing financial risk management strategies, with a focus on comparing the use of emergency funds and Islamic insurance. Generation Z, known for their adaptability to technology and information, faces complex financial challenges amidst global economic uncertainty. Using a descriptive qualitative approach, data were obtained from in-depth interviews with a number of Generation Z respondents in urban areas. The results show that although the majority of respondents understand the importance of emergency funds as a form of short-term protection, there is increasing interest in Islamic insurance as an alternative that is considered more systematic and in line with religious values. The main factors influencing this preference include the level of financial literacy, trust in Islamic financial institutions, and perceptions of long-term benefits. These findings are expected to contribute to the development of more relevant financial education strategies for the younger generation.

Public Interest Statement:

This study is significant to the public as it reveals Generation Z's preferences in managing financial risks between emergency funds and Islamic insurance. The findings help financial institutions and policymakers design relevant, faith-based, and sustainable financial education to raise awareness of financial protection amid economic uncertainty.

Keywords: Generation Z, financial risk management, emergency funds, sharia insurance, financial literacy.

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Abstrak

Penelitian ini bertujuan untuk mengkaji preferensi Generasi Z dalam memilih strategi pengelolaan risiko keuangan, dengan fokus pada perbandingan antara penggunaan dana darurat dan asuransi syariah. Generasi Z, yang dikenal adaptif terhadap teknologi dan informasi, menghadapi tantangan finansial yang kompleks di tengah ketidakpastian ekonomi global. Melalui pendekatan kualitatif deskriptif, data diperoleh dari wawancara mendalam terhadap sejumlah responden Generasi Z di wilayah perkotaan. Hasil penelitian menunjukkan bahwa meskipun mayoritas responden memahami pentingnya dana darurat sebagai bentuk perlindungan jangka pendek, terdapat peningkatan minat terhadap asuransi syariah sebagai alternatif yang dinilai lebih sistematis dan sesuai dengan nilai-nilai religius. Faktor utama yang mempengaruhi preferensi ini meliputi tingkat literasi keuangan, kepercayaan terhadap institusi keuangan syariah, dan persepsi terhadap manfaat jangka panjang. Temuan ini diharapkan dapat memberikan kontribusi dalam pengembangan strategi edukasi keuangan yang lebih relevan bagi generasi muda.

Pernyataan Kepentingan Publik:

Penelitian ini penting bagi publik karena mengungkap preferensi Generasi Z dalam mengelola risiko keuangan antara dana darurat dan asuransi syariah. Hasilnya membantu lembaga keuangan dan pembuat kebijakan merancang edukasi finansial yang relevan, religius, dan berkelanjutan, guna meningkatkan kesadaran akan pentingnya perlindungan keuangan di era ketidakpastian ekonomi.

Keywords: Generasi Z, pengelolaan risiko keuangan, dana darurat, asuransi syariah, literasi keuangan.

Introduction

Financial risk management is an essential aspect of individual economic sustainability, especially in the face of life uncertainties such as job loss, illness, or other emergencies (Salsabila et al., 2024). In the modern economy, the ability to manage risk not only reflects an individual's financial literacy but also their readiness to achieve long-term financial goals (Rizkynanda & Rahayuningsih, 2025). This is increasingly relevant for Generation Z, who are currently entering their productive years and becoming financially independent. However, reality shows that financial problems among Indonesia's younger generation remain quite alarming. Many of them tend to spend based on wants rather than needs, making them vulnerable to unhealthy financial conditions (Risqina & Puspita, 2025). Easy access to digital shopping also reinforces impulsive consumption patterns (Latif et al., 2025). OJK's efforts to improve financial literacy through education continue. However, the results show that the financial readiness of Indonesia's younger generation remains suboptimal in facing modern economic challenges (Pratama, 2025).

Recent empirical evidence indicates a concerning state of financial vulnerability among Indonesia's younger generation. According to the OCBC NISP Financial Fitness Index (2023), a majority of young Indonesians exhibit poor financial health. While 46% report having a financial plan, only 16% have established emergency savings. Moreover, 43% depend on family support during financial emergencies, suggesting a widespread lack of preparedness

for unexpected financial shocks (Bank OCBC, 2023). This reliance on informal safety nets underscores a significant gap in awareness and adoption of formal risk-mitigation instruments, particularly emergency funds.

From a personal finance perspective, maintaining an emergency fund is a foundational practice for sound financial planning, serving as a buffer against unforeseen expenses and income disruptions (Pradhana, 2024; Giau et al., 2025). The absence of such reserves not only heightens individual financial fragility but also reflects broader systemic issues in financial literacy and planning behaviour. Complementarily, within Islamic economics, risk mitigation is often conceptualised through instruments such as *ṣukūk* (Islamic bonds) and *takāful* (Islamic insurance), which operate on principles of mutual cooperation (*ta'āwun*), shared risk, and avoidance of uncertainty (*gharar*) (Mirakhor, Bashir, & Gorton, 2023). These instruments offer a Shari'ah-compliant framework for financial protection, aligning risk management with ethical and distributive justice (Aini et al., 2025). Thus, enhancing financial resilience among Indonesian youth may require an integrated approach that combines conventional personal finance strategies with accessible Islamic financial products tailored to their socio-cultural context.

Nevertheless, empirical studies reveal a persistent gap between religious adherence and the actual adoption of Shari'ah-compliant financial products. Among Generation Z, this gap is particularly pronounced in Islamic insurance (*takāful*), where limited understanding of its benefits and risk-mitigation features contributes to low adoption rates. Moreover, even relatively high levels of Islamic financial literacy do not consistently translate into optimal financial behaviour, including in areas such as investment and risk protection (Sawitri et al., 2024). These findings suggest that religious conviction alone is insufficient to drive the utilisation of Islamic financial instruments.

Collectively, this evidence points to a dilemma faced by Generation Z in selecting appropriate risk-management tools. Although often characterised as digitally fluent and future-oriented, their understanding of adequate financial protection whether conventional emergency funds or Islamic insurance remains limited. Consequently, despite their potential to make informed financial decisions, many young adults lack adequate preparedness for unforeseen financial shocks. Given this gap, it is pertinent to investigate Generation Z's preferences in financial risk management, specifically examining their choice between maintaining emergency funds and subscribing to Islamic insurance as primary protection instruments.

This study aims to examine Generation Z's preferences in selecting financial risk-management strategies, focusing on the comparison between emergency funds and Islamic insurance as key mitigation tools. Specifically, the research seeks to: (1) assess the level of knowledge and perception of emergency funds and Islamic insurance among Generation Z; (2) identify the factors influencing their choice between these instruments; and (3) evaluate the relevance of these instruments to the long-term financial security of young Indonesians. The findings are expected to contribute to the development of targeted financial literacy programmes, especially in Islamic finance, and to inform policy and product design aimed at enhancing the financial resilience of Generation Z, thereby supporting sustainable economic development in Indonesia.

Literature Review

The concept of preference within the social sciences, particularly economics, refers to the systematic ordering of alternatives by individuals based on subjective utility, satisfaction, or perceived value. Cognitive science extends this view, framing preference as a goal-setting mechanism that enables individuals to evaluate options and guide decisions toward outcomes that maximize personal satisfaction (Verissimo et al., 2024). This involves selecting among various possibilities and refining choices over time based on experienced or anticipated value. From a psychosocial standpoint, preference denotes a stable inclination to direct attention and behavior toward specific people, activities, or situations, accompanied by feelings of pleasure and fulfillment (Ridha et al., 2023). It functions as a cognitive-affective filter composed of emotions, expectations, attitudes, and biases that channels individuals toward particular decisions (Brundin et al., 2022). Preferences are shaped by a combination of internal factors, such as age, gender, personality, and prior experience, as well as external influences, including familial, educational, and community environments (Shah & Asghar, 2023; Widyari, 2024). Lester D. Crow's framework further outlines three primary drivers of preference: internal drives, such as basic needs that spur related interests; social motives arising from normative pressures; and emotional factors tied to strong affective attachments to specific activities or outcomes.

Shifting to Generation Z typically defined as those born from the mid-1990s to the early 2010s this cohort is marked by near-universal digital immersion. Virtually all Gen Z individuals own or regularly use smartphones, irrespective of socioeconomic or geographic background (Suherman, 2023). Daily smartphone exposure is pervasive, with a dependence on digital connectivity that exceeds that of traditional media; many report greater frustration from being unable to access the internet than from losing pocket money (UNICEF, 2017). Described as technologically adept, adaptive, and risk-tolerant, Generation Z plays a critical role in the Industry 4.0 landscape and can quickly learn and apply new financial technologies in daily life (Wijoyo et al., 2020). In Indonesia, where Gen Z constitutes a significant portion of the population (currently roughly aged 14–29), this digital fluency influences how they access information, evaluate financial options, and form preferences regarding risk management. Financial risk, defined as the potential for monetary loss due to uncertainty, is an inherent aspect of both organizational and personal finance (Ahmad Ramadani, 2025). Effective financial risk management is essential for navigating uncertainty, which can pose both threats and opportunities. Without proper management, uncertainty can escalate into detrimental risks, whereas proactive preparation enables individuals and organizations to make informed decisions and capitalize on strategic opportunities (Irra, 2006).

A key instrument in personal risk management is the emergency fund—a dedicated pool of liquid savings meant to cover urgent, unexpected financial needs such as job loss, illness, or accidents (Rismanty et al., 2022; Giauw et al., 2025). Its primary purpose is to provide immediate liquidity without resorting to debt, thereby maintaining financial stability during crises (Shellyna et al., 2022). Johnson and Widdow (1985) conceptualize an emergency fund as reserves sufficient to cover living expenses without drastically altering one's standard of

living. These funds are often tiered by liquidity: a monetary tier (cash and cash equivalents), an intermediate tier (adding deposits and certificates), and a comprehensive tier (including stocks and bonds). Best practices suggest that an emergency fund should cover three to six months of essential expenses, including debt obligations, and be held in liquid, low-risk instruments such as savings accounts, time deposits, or money market funds (Li & Zhang, 2025; Shellyna et al., 2022). Philosophically, maintaining an emergency fund aligns with the principle of “paying yourself first” and serves as a financial safety net, providing protection and continuity during unforeseen hardships.

From an Islamic financial perspective, risk mitigation is also achieved through Sharia insurance, or *takaful*. Conventional insurance is viewed critically within Islamic finance due to elements of *gharar* (excessive uncertainty), *riba* (interest), and *maysir* (gambling) (Purwanto, 2006). In contrast, Sharia insurance is structured as a cooperative system of mutual protection (*ta’awun*) based on shared responsibility and ethical principles, aligning with Qur’anic injunctions to “cooperate in righteousness and piety” (Q.S. Al-Maidah: 2). The National Sharia Council of Indonesia (DSN-MUI) defines *takaful* as a collective effort of protection and mutual assistance through asset-based contributions (*tabarru’*) that comply with Islamic law (Fatwa No. 21/DSN-MUI/X/2011). In Indonesia – home to the world’s largest Muslim population – Sharia insurance has grown significantly, fueled by both religious adherence and increasing awareness of financial protection (Humaida et al., 2024). It operates not merely as a commercial product but as a means of embodying Islamic values, emphasizing solidarity, fairness, and transparency (Ultami, 2022; Muhammad Zuardi et al., 2025). Legally and functionally, *takaful* provides participants with a sense of security and a structured claim mechanism, in which the policy serves as evidence of coverage and the right to compensation in the event of a defined loss (Rosyidi, 2023).

Methods

This study employs a descriptive qualitative approach to provide a systematic, factual, and accurate portrayal of Generation Z's preferences in managing financial risks, particularly when choosing between emergency funds and Islamic insurance. The research is designed as a descriptive case study aimed at presenting a sequential, in-depth, and credible understanding of the phenomena emerging in the field (Firmansyah & Dede, 2022). Conducted from May to July 2024 in Medan City, the research focuses on Generation Z individuals working in both the formal and informal sectors. The researcher served as the primary instrument for interpreting data, drawing on field findings and relevant literature.

Data sources consisted of primary and secondary data. Primary data were obtained through in-depth interviews with ten Generation Z informants, selected using purposive sampling based on criteria including age (18–27 years), residence or work in Medan City, experience in personal financial management, and knowledge of or experience with emergency funds and/or Islamic insurance. The informants represented diverse occupations, including private employees, freelancers, online drivers/couriers, baristas, mechanics, and micro-entrepreneurs. Secondary data were collected from recent scholarly journals, statistical reports on youth financial literacy, publications from the Financial Services Authority (OJK) related to Islamic insurance and emergency funds, and other supporting documents.

Semi-structured interviews were conducted using a flexible guide covering key themes: understanding of financial risk; emergency fund management; knowledge of Islamic insurance; preferences between the two instruments; and factors influencing choices, such as income level, personal experience, and religious values.

Data were analyzed using the Miles and Huberman model, involving three stages. The first stage, data reduction, included selecting, categorizing, and simplifying interview transcripts and field notes. The second stage, data display, organized the findings into descriptive narratives and categorized tables and diagrams to identify patterns. The final stage, conclusion drawing and verification, involved interpreting patterns and validating them through triangulation—comparing informant statements, aligning findings with theoretical frameworks, and corroborating primary with secondary data. This process ensured the findings were credible, comprehensive, and grounded in the financial experiences of Generation Z in Medan City.

Results and Discussion

Characteristics of Generation Z participants

In this research, participants were Generation Z individuals with diverse employment experiences, including permanent workers, freelancers, small business owners, and online motorcycle taxi drivers. Their monthly earnings ranged from Rp2 million to Rp4 million. While most had stable income, many also relied on earnings from informal or irregular jobs. This illustrates that Generation Z has entered the workforce with a flexible income model, indicative of shifts in the contemporary economic landscape that embrace non-traditional forms of employment. A notable trait of Generation Z, as evidenced by the data, is their inclination to pursue supplementary income and actively respond to economic uncertainties. This versatility and willingness to explore multiple income sources are valuable assets for managing personal financial risks.

Generation Z's Understanding of Financial Risk

Most of the people in this study have a good grasp of what financial risk means. They link financial risk to unexpected events that can force them to spend more than planned, such as sudden illness, accidents, job loss, or damage to critical personal belongings. Interviews with respondents support these findings. They see financial risk as "the possibility of unexpected events that can disrupt one's financial condition," such as illness or job loss. They highlight the importance of managing risks to maintain stability and avoid rushing into decisions during emergencies. One respondent shared how they faced financial risk due to unplanned medical expenses but managed it using emergency funds they had set aside. This indicates that Generation Z understands the need to prepare for risks in their daily lives.

Generation Z recognizes that financial risk is a natural part of life that should be managed proactively. They do not see risk as distant or just a gamble; instead, they view it as a real possibility that can occur at any time and affect their financial stability. Interestingly, respondents also identify minor risks that past generations often overlooked, like a broken cell phone or a sudden motorcycle breakdown. This shows that Generation Z thinks not only about

significant risks but also about everyday expenses. Ignoring these minor issues can have a long-term effect on their financial health.

Emergency funds as the central tool

The majority of participants in this study indicated that emergency funds are the primary means of managing personal financial risks. They gradually accumulate these funds by allocating a portion of their fixed and variable earnings to a separate account to avoid mixing them with their everyday spending needs. One individual, who is a permanent employee and also sells souvenirs, shared, "He mentioned that he has established an emergency savings account. His previous experiences with unexpected events motivated him to consistently set aside a portion of his income each month for the emergency fund." He noted that a sudden illness strongly influenced him to start forming short-term financial security. When queried about risk management priorities, he responded, "He said that if forced to choose, he would prioritize emergency savings as they can be accessed quickly during urgent situations." He believes that emergency funds offer more flexibility since they are under personal control. The individual reiterated, "He explained that how emergency funds are used is entirely a personal decision, depending on individual circumstances and needs." In fact, in more dire situations like bankruptcy or serious health issues, he expressed, "that he had encountered scenarios that highlighted the necessity for emergency funds, as these resources are invaluable when confronting challenging financial conditions like bankruptcy or health crises."

Similarly, another individual who works as an online motorcycle taxi (ojol) driver shared a comparable perspective. This source stated, "He disclosed that he already has a reserve fund that he has amassed through the habit of saving regularly every month, as a way to prepare for unexpected expenses." For him, setting aside emergency funds is a crucial component of his daily financial discipline. He added, "He said that having emergency funds is vital for ensuring peace of mind when unanticipated expenses occur, as well as aiding in consistent financial management." When asked about the preference between emergency funds and sharia insurance, he replied, "He prefers to utilize emergency funds due to his limited understanding of sharia insurance." In urgent circumstances like serious health issues or loss of income, he admitted to depending more on emergency funds: "He favors emergency funds since they are perceived to address urgent requirements effectively. Nevertheless, he showed a willingness to consider both options by explaining that he tends to concentrate on one source at a time while still valuing the balanced use of both."

From these two individuals, it is evident that emergency funds are a fundamental element in navigating economic uncertainties for both formal and informal workers. Although there is a basic awareness of the significance of sharia insurance, emergency funds remain the preferred choice due to their accessibility, adaptability, and complete control over their use. This indicates that Generation Z adopts a practical, realistic stance towards personal financial planning, with a significant recognition of the need to be prepared for unexpected risks.

Typically, these emergency funds are kept separate from the main account to prevent them from mingling with daily spending needs and to reserve them for critical situations only. The primary reason Generation Z favors emergency funds is that they are readily accessible

whenever needed, especially in urgent situations that require a quick response. Furthermore, having an emergency fund is regarded as a way to avoid falling into debt or relying on high-interest online loans. Having these financial reserves makes them feel more mentally secure and enables them to maintain personal financial stability without compromising their planned monthly budgets. This preference for emergency funds illustrates Generation Z's pragmatic, independent character and their desire to maintain complete control over their finances amid life's unpredictability.

Knowledge and perceptions of Generation Z regarding emergency funds and Sharia insurance

Most respondents demonstrated a good understanding of emergency funds. They perceived an emergency fund as savings set aside to cover unexpected events such as sudden illness, job loss, or damage to essential work equipment. This awareness emerged from their own experiences or those of people around them who had faced sudden financial risks.

In addition, emergency funds were perceived as practical, easily accessible at any time, and entirely under the individual's control. These characteristics provide psychological security, as respondents feel they have complete control over their finances when facing emergencies. In contrast to emergency funds, Generation Z's knowledge of Sharia insurance remains limited. Most respondents were familiar only with the term. They lacked an understanding of core principles such as *ta'awun* (mutual assistance), the prohibition of *riba* (usury), and the mechanisms for managing participant funds. Only a small number understood the long-term protection benefits offered by Sharia insurance. Respondents who already owned Sharia insurance tended to choose health products, although their decisions were not based on strong financial literacy. The limited level of Islamic financial literacy remains the main barrier, making Sharia insurance far from a dominant option in their risk-management strategies.

Generation Z's understanding of Sharia insurance is relatively low. Most only have a basic idea of what it is. Interviews showed that only a few could explain key principles, such as cooperation (*ta'awun*), the prohibition on usury, and the management of funds in accordance with Islamic law. More than half of the respondents had never heard of "sharia insurance" or could not tell the difference between sharia and conventional insurance. For those who have used sharia insurance products, which are few, the options chosen are health or education insurance as they see them as more relevant to their long-term needs and religious values. Unfortunately, low financial literacy about Islamic finance makes it hard for sharia-compliant insurance to gain popularity among Generation Z. Limited information, a lack of appealing promotions for younger people, and minimal efforts by insurance providers to engage with Generation Z have prevented Islamic insurance from becoming a well-known option for managing risk in daily life.

Factors Influencing Instrument Preferences

According to the interviews, Generation Z prefers emergency funds over Sharia insurance for five main reasons. First, personal experiences with risks like sudden medical bills, job loss, or damaged work equipment are the most significant factors. People who have faced these issues

feel that emergency funds offer a quick solution without needing to ask others for help. Second, those with limited financial knowledge often rely solely on emergency funds because they do not understand the benefits of long-term protection. In contrast, individuals with a better grasp of finances are interested in combining emergency funds with Sharia insurance. Third, people choose emergency funds because they can access the money anytime without going through a claims process. For those with unstable income, paying insurance premiums feels like an extra financial burden. Fourth, most respondents earn between IDR 2 and 4 million each month. This limited income leads them to prefer options that don't require regular payments. Finally, some respondents with strong religious beliefs see Sharia insurance as consistent with their values. However, their trust in Sharia financial institutions varies, which affects their willingness to use Sharia-based products.

The relevance of emergency funds and Sharia insurance for long-term financial security

Generation Z values emergency funds above all because they protect against immediate short-term risks like minor illnesses, damaged items, or temporary income loss. Emergency funds are easy to access, align with Generation Z's digital habits, and help workers with variable incomes avoid high-risk loans. Because of these benefits, emergency funds play a crucial role in maintaining financial stability in the short- to medium-term.

While many in this generation have limited financial knowledge, they recognize that Sharia insurance protects against significant risks, such as severe illness, serious accidents, education expenses, and death. However, low financial literacy and limited income make it hard for them to prioritize Sharia insurance for long-term risk management. Some people believe that combining emergency funds and Sharia insurance is the best approach. Emergency funds help with smaller risks that need quick action, while Sharia insurance covers larger, long-term risks. Still, a lack of understanding and limited income make it difficult for most to use this combined strategy effectively.

Interviews with one Generation Z worker, who has a permanent job and takes on freelance projects, revealed their preferences for financial risk management. This person has a stable income from their primary job but is open to earning extra money through freelance work that matches their skills. This shows that Generation Z is flexible in building their income, which is a key trait for navigating today's economy.

The study involved individuals from Generation Z with diverse jobs, including online motorcycle taxi drivers, mechanics, skincare sellers, baristas, and souvenir sellers. Their monthly incomes varied, with most earning between IDR 2 million and IDR 4 million. While many had fixed incomes, others relied on informal or irregular work. This highlights that Generation Z is entering the workforce with flexible income patterns, reflecting shifts in the economy that accept more non-traditional jobs. A clear characteristic of Generation Z is their active search for extra income and their adaptability in uncertain economic times. This willingness to explore various income sources is an essential advantage for managing personal financial risks.

Preference comparison: emergency funds vs. Sharia insurance

When asked to choose between emergency funds and sharia insurance, most Generation Z members preferred emergency funds. They find emergency funds more flexible and easier to access at any time. There are no complicated claims processes like with insurance products. For them, emergency funds offer immediate security, ready to use in urgent situations without waiting for approval from someone else. Emergency funds also fit better with their dynamic financial lifestyles, especially for those with irregular incomes. Since there's no need to pay regular premiums, emergency funds are a more manageable financial option. However, some people recognize that sharia insurance can offer better protection against significant risks, like serious illness requiring hospitalization or long-term job loss. This has led Generation Z to realize the value of combining sharia insurance with emergency funds to build a comprehensive financial strategy.

Even though most respondents prioritize emergency funds, some believe that combining emergency funds and sharia insurance is the best way to manage financial risks. Emergency funds work well for urgent needs that require quick action, such as minor medical costs or a temporary loss of income. On the other hand, sharia insurance can provide broader and longer-lasting protection against significant financial risks, such as serious accidents, long-term illness, and costs related to education and retirement. Unfortunately, even with growing awareness of both, it's still not a common practice among Generation Z. Challenges include limited financial knowledge, especially about sharia products, and lower incomes, which make it hard to set aside money for both consistently. Additionally, Generation Z often focuses more on immediate needs than on long-term planning, including insurance.

This study shows there is a strong opportunity to increase Islamic financial knowledge among Generation Z, who don't fully understand the benefits of sharia-compliant insurance. While they know how to manage financial risks with emergency funds, many are unfamiliar with key sharia concepts, such as mutual help (*ta'awun*), no interest (*riba-free*), and the management of funds under Islamic law. To fill this gap, education tailored to Generation Z is essential. Information about the importance of long-term protection through sharia insurance should be engaging, brief, and relevant to their daily experiences. Financial literacy campaigns can use social media, financial apps, and Islamic finance influencers to help improve their understanding. Additionally, making Islamic insurance products more straightforward, more flexible, and integrated into digital platforms familiar to Generation Z will likely boost their interest in these financial services.

Although emergency funds are the preferred way to manage financial risks, Generation Z is beginning to show interest in sharia-compliant insurance as an additional form of protection. Some understand sharia insurance as a system of mutual support following sharia principles. One respondent, a permanent employee and souvenir seller, mentioned that he already has sharia-based health insurance. He thinks insurance is essential for financial protection during emergencies, like sudden illness. He added that while sharia insurance provides long-term security, he still relies on emergency funds in urgent situations. However, not everyone has enough knowledge about Sharia insurance. An informal sector worker noted that many still need to learn more about it.

About 55% of Generation Z shows interest in Sharia insurance, including both those who have it and those seeking information. However, 45% are not interested, often because they lack understanding or don't see a need for it. This indicates that educating people about Sharia insurance products needs improvement, especially for informal and freelance workers who often focus on immediate needs.

Interviews with Generation Z respondents from various jobs reveal that this generation values flexible income and adapts well to economic changes. This finding supports Anggarini et al. (2021), who state that Gen Z responds effectively to financial changes and seeks additional income to remain financially stable. The respondents recognize the risks of sudden financial issues, like job loss or health emergencies, demonstrating a basic understanding of the need for financial protection. This aligns with research by Putri et al. (2023) and Paramitalaksmi & Astuti (2022), which shows that unexpected events often cause financial stress among working-age people.

In risk management, emergency funds are a top priority for Generation Z. They view emergency funds as accessible, flexible, and easy to manage without complex processes. However, even though they are aware of the importance of emergency funds, inconsistent income makes it hard for them to save adequately. These results confirm Raju Adha et al. (2023), which shows a gap between financial knowledge and actual practices among young people. Personal experiences with financial crises greatly influence their risk management behavior. This supports behavioral finance theory, which holds that life experiences shape how people perceive risk and affect their financial choices (Pratiwi et al., 2023).

Unlike emergency funds, Generation Z views sharia insurance as essential for long-term protection but not urgent. Limited knowledge about contracts, *takaful* principles, and the benefits of protection contributes to their low interest in sharia insurance. Many also see premiums as an unnecessary burden. These results are consistent with Yanti et al. (2024), who found that while religiosity is high, it does not necessarily lead to increased adoption of Islamic financial products among young people. Overall, five main factors influence Generation Z's financial risk management choices: the urgency of economic needs, financial literacy regarding sharia, ease of access to and control over funds, personal crisis experiences, and trust in sharia financial institutions. These factors interact to shape their pragmatic and short-term financial decisions.

This study shows that emergency funds are the most favored option because they provide quick financial security. At the same time, sharia insurance is seen as relevant for higher-risk exposures but requires greater education and economic knowledge. An ideal strategy is to combine emergency funds and Islamic insurance to better protect against both short- and long-term risks. To achieve this, we need to enhance Sharia financial literacy through digital, interactive methods that resonate with Generation Z's lifestyle. In summary, this study reinforces prior research. It offers new insights into Generation Z's financial preferences, highlighting that personal control, ease of access, and past experiences are more influential than religious motivation in economic decisions. This serves as a foundation for effective educational strategies and the development of more appealing Islamic financial products for future generations.

Conclusion

Based on the study's results, Generation Z in Medan demonstrates relatively strong awareness of the importance of financial risk management, particularly in preparing for unexpected and urgent situations. Emergency funds are preferred because they are practical, flexible, easily accessible, and provide a sense of direct control over personal finances. These characteristics make emergency funds the primary choice for managing short-term to medium-term financial risks. In contrast, knowledge and understanding of Sharia insurance among Generation Z remain limited. Most respondents are familiar with the term but do not fully understand its core principles, mechanisms, or long-term benefits. Although some respondents express interest in sharia insurance, low financial literacy and income constraints hinder its adoption as a priority instrument. Overall, the findings indicate that Generation Z tends to rely more on emergency funds for immediate risk mitigation. At the same time, the use of sharia insurance remains minimal due to a lack of understanding and financial capacity. Nonetheless, respondents recognize that both instruments can play complementary roles in providing comprehensive financial protection when supported by adequate literacy and accessibility.

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