

## **Prospect of the Young Generation in Halal and Sharia Demand**

**Wiwiet Prihatmadji<sup>1</sup>, Taufan Maulamin<sup>2</sup>, Noviandari Sari Utami<sup>3</sup>**

<sup>1</sup>Business Administration, Politeknik LP3I Jakarta, Jakarta, Indonesia

<sup>2</sup>Islamic Accounting, Institut STIAMI, Jakarta, Indonesia

<sup>3</sup>Business Management, Institut STIAMI, Jakarta, Indonesia

wpmadji@gmail.com<sup>1</sup>, taufan@stiami.ac.id<sup>2</sup>, andaritami17@gmail.com<sup>3</sup>

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### **ABSTRACT**

This journal article explores the burgeoning demand for halal products and Sharia-compliant services among the young generation, specifically Millennials and Gen Z. Drawing upon recent surveys and industry reports, it highlights the ethical and digital drivers behind this trend, analyzes the current market landscape, identifies key barriers to adoption, and outlines significant opportunities. The paper argues that as this demographic increasingly seeks alignment between their values and consumption habits, the halal and Sharia sectors are poised for substantial growth, necessitating strategic adaptation and innovation from industry players.

**Key Words:** Halal, Sharia, Millennials, Gen Z

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### **1. INTRODUCTION**

The global Islamic economy is experiencing a dynamic transformation, driven significantly by the evolving preferences of its younger demographic. With Islamic financial assets projected to reach \$5.9 trillion by 2026, and a global Muslim population of 1.9 billion, the market for halal and Sharia-compliant products and services presents immense potential (Mambu, 2024). This paper delves into the prospects of the young generation (Millennials and Gen Z, aged 16-40) in shaping this demand, examining their motivations, current engagement, and the opportunities and challenges for various sectors within the halal and Islamic finance industries, with a particular focus on key Muslim-majority nations like Indonesia, Malaysia, and Pakistan [Mambu, 2024; Kasri et al, 2024; Hisham, 2025; Nawaz et al, 2021).

#### **The Driving Force: Young Consumers and Their Values**

The Millennial and Gen Z Muslim consumers are not merely seeking products and services that adhere to Islamic principles; they are demanding a deeper alignment with their personal values and ethics. A 2024 survey revealed that 85% of these respondents consider it important that their bank's investments contribute positively to the world, an increase from 76% in 2021. Similarly, 86% prioritize ethical investments (up from 74% in 2021), and 83% emphasize alignment with religious beliefs (up from 74% in 2021). This strong ethical compass extends to avoiding industries such as gambling (80%), alcohol (76%), and tobacco (63%) (Mambu, 2024).

Beyond religious adherence, a broader ethical consumption trend is evident. Research indicates that 60% of all consumers (Muslim and non-Muslim) value financial institutions that align with their personal values, and 67% desire more sustainable banking

practices. This suggests that the ethical foundations of Islamic finance resonate with a wider audience, positioning it as a compelling alternative for those seeking diversification and sustainability (Mambu, 2024).

## **2. METHODOLOGY**

This research constitutes a literature review that aims to succinctly summarize, explain, and depict various research outcomes pertaining to the implementation of Halal in the youth generation. In analyzing the pertinent literature, we employ both deductive and inductive approaches, utilizing several analytical tools to illustrate and chart the results of Halal research endeavors (Moretti et al, 2011).

Due to the extensive scope of Halal research, we adopt an approach involving the creation of a body of Knowledge for the classification of diverse Halal research. To facilitate comparisons within specific sub-fields, a state-of-the-art compilation is generated. Subsequently, we conduct a comprehensive literature review with the objective of delineating Halal research and assessing the extent of accomplishments in these research initiatives (Creswell, 2018). The final stage of our approach involves formulating a paradigm for Halal research in the form of *The Ascending Influence: Prospects of the Young Generation in Halal and Sharia Demand*, especially in Indonesia, Malaysia, and Pakistan (Mambu, 2024; Kasri et al, 2024; Hisham, 2025, Nawaz et al, 2021).

## **3. RESULT AND EVALUATION**

### **3.1. Current Landscape and Engagement in Key Countries**

In 2024, the banking habits of Muslim Millennials and Gen Z (16-40) show a mixed approach: 31% use a combination of Islamic and traditional/investment banking, while 26% exclusively use Islamic banking. Notably, a significant 20% of those currently using traditional banking are considering a switch to Islamic banking. This desire for Sharia-compliant options is on the rise, with 85% of non-users expressing interest, up from 80% in 2021 (Mambu, 2024).

Demographically, male Millennials and Gen Z show a slightly higher inclination towards Islamic finance (29% solely use Islamic banking compared to 23% of females). Age-wise, the 25-34 bracket is most likely to embrace Islamic finance, with 27% using it solely and 24% combining it with traditional banking (Mambu, 2024).

#### **3.1.1. Indonesia**

Indonesia, with its Muslim population of 240.62 million (86.7% of the national population in 2023), holds substantial potential to lead the global Islamic economy. The country ranked third globally in the Islamic market in 2023. The global halal industry has seen an 8.0% CAGR from 2015-2021, with an estimated \$2.0 trillion in Muslim spending in 2021. Furthermore, a notable 43% of Indonesian respondents expressed distrust that banks can be fully Sharia-compliant, significantly higher than in the UK and Saudi Arabia (11%). This highlights the need for increased transparency and education (Mambu, 2024; BSI, 2024).

Indonesia, as the country with the largest Muslim population, also has immense potential to be a global leader in modest fashion, with a strong push to become a producer and exporter. Indonesia aims to be a global halal tourism hub and was recognized as the World's Best Halal Tourism Destination in 2019. Efforts to improve accessibility and communication, such as through Halal Trip apps for locating halal restaurants and mosques, are crucial. The halal pharmaceutical and cosmetics sector is also experiencing significant growth, partly due to increasing awareness and mandatory halal certification in

Indonesia. The Master Plan Industri Halal Indonesia 2023-2029 highlights the development of the halal industry as a key answer to Indonesia's economic transformation towards a sustainable economy (BSI, 2024; KNKS, 2019; KNKS, 2023).

### **3.1. 2. Malaysia**

Malaysia has long positioned itself as a global hub for Islamic finance, implementing comprehensive regulatory frameworks and attracting international investments, with the Halal Industry Master Plan 2030 outlining its vision to be a global leader in the halal industry (MITI, 2023).

The halal economy plays an important role in Malaysia's economic growth, contributing 7.5 percent to the Gross Domestic Product (GDP) as of 2020. Under the Twelfth Malaysia Plan, 2021-2025 (12MP), one of the key strategies to boost Malaysia's economic growth is enhancing the competitiveness of the halal industry to capture a more significant share of the global halal market (World Bank, 2022). The term halal refers to anything that is permissible or lawful under Islamic Law that dictates the way of life of a Muslim (a follower of the Islamic faith) (MITI, 2023). Hence, the scope of the halal economy is broad and can be defined as an industry that is involved in the provision of halal products and services, including food, clothing and fashion, cosmetics and personal care, travel, and financial services. Consequently, Islamic finance is both parts of the broader halal economy (Abu Bakar et al, 2025).

### **3.1. 3. Pakistan**

Pakistan has a strong demand for both Halal products and Sharia-compliant financial services, driven by its large Muslim population and the legal framework that incorporates Islamic principles. The country aims to fully transition its banking sector to Islamic finance by 2027, with current Islamic banking assets comprising 20% of the total. This transition is supported by government initiatives and the growing global halal economy, which is expected to reach \$7.7 trillion by 2025 (FAD, 2025; Bhutto et al, 2024).

## **3.2. Barriers to Adoption**

Despite the strong interest, several barriers hinder wider adoption of Islamic banking among the young generation (Mambu, 2024):

- Lack of Awareness (39% globally): Many consumers are simply unaware that Islamic banking is an option.
- Limited Accessibility (28% globally): Difficulty in easily accessing banks that adhere to Islamic principles. This is more pronounced in older age groups (36% for 35-40 year olds vs. 24% for 16-24 year olds).
- Perceived Insufficiency of Services (25% globally): Some feel their needs are not fully met by existing Islamic banking offerings. Male respondents are more likely to express this (30% vs. 21% of females).
- Lack of Perceived Need (22% globally): Some do not feel a strong compulsion to use Islamic banking.
- Distrust in Compliance (18% globally): A significant portion, particularly in Indonesia (43%), distrust that banks can be fully Sharia-compliant. This contrasts sharply with lower distrust levels in the UK and Saudi Arabia (11%).

## **3.3. Opportunities for Growth and Innovation**

The existing landscape, coupled with the aspirations of the young generation, presents significant opportunities across various halal and Sharia sectors:

### **3.3.1. Islamic Finance and Banking :**

- Digitalization is Key: Young consumers expect seamless digital experiences. 92% consider online banking options important, and 93% value access to their bank anywhere, anytime. 80% consider the availability of online/mobile Islamic banking a "deal-breaker" (Mambu, 2024). Banks that can offer easy, digitally-enabled Islamic financial services are well-positioned to attract and retain this demographic. This is crucial for countries like Pakistan where unfamiliarity with products and inadequate marketing hinder adoption (Soharwardy et al, 2024).
- Product Innovation: While 59% of young Muslim consumers prefer their entire bank to be Sharia-compliant, 20% are content with just a Sharia-compliant portfolio. This opens avenues for conventional banks to gradually introduce Islamic banking services. Awareness of Islamic finance products like Musharakah (43%) and Mudarabah (42%) is present, but needs to be actively promoted (Mambu, 2024).
- Ethical and Sustainable Investing: The strong desire for ethical and socially responsible investments among young Muslims aligns perfectly with ESG (Environmental, Social, Governance) principles. Islamic finance, by its nature, is intrinsically linked to these values, offering a compelling alternative for investors seeking both commercial viability (83% of respondents) and positive societal impact (Mambu, 2024).

### **3.3.2. Halal Industry Sectors :**

- Modest Fashion: Indonesia, as the country with the largest Muslim population, has immense potential to be a global leader in modest fashion. While Indonesia is a major consumer, there's a strong push to become a producer and exporter (Kasri et al, 2024).
- Halal Food and Beverages: This sector consistently shows positive growth, even during challenging times, with the global halal industry experiencing an 8.0% CAGR from 2015 to 2021 (Mambu, 2024).
- Halal Tourism: Indonesia aims to be a global halal tourism hub. Efforts to improve accessibility, communication (e.g., through digital platforms for halal restaurant and mosque directories), and a conducive environment are crucial. Pakistan is also actively developing its halal tourism infrastructure, focusing on halal food availability, prayer facilities, and halal-friendly accommodations to attract Muslim travelers (Kasri et al, 2024; KNKS, 2023; Bhutto et al, 2024).
- Halal Pharmaceuticals and Cosmetics: This sector is also experiencing significant growth, driven by increasing awareness of halal products and the mandatory halal certification for these items in Indonesia. The demand for natural, organic, cruelty-free, and halal-certified cosmetics is rising, attracting both Muslim and non-Muslim consumers (Kasri et al, 2024; KNKS, 2023).

### **3.4. Challenges and Recommendations**

While the prospects are bright, several challenges need to be addressed to fully capitalize on the young generation's demand:

- Low Financial Literacy: The literacy rate for Islamic finance remains relatively low (e.g., 8.93% in Indonesia in 2019) (Kasri et al, 2024; KNKS, 2023).

- Limited Access and Infrastructure: Physical accessibility to Sharia-compliant banks and services remains a barrier in some areas, particularly for older segments of the young generation (Kasri et al, 2024; KNKS, 2023).
- Distrust in Compliance: Addressing concerns about the full Sharia-compliance of financial institutions is critical, especially in markets like Indonesia where mistrust is higher (43%) [6].
- Human Capital Development: There is a need for more qualified human resources in the Islamic economy, particularly in emerging sectors like the halal industry (Mambu, 2024).
- Regulatory Harmonization: Consistent and supportive regulations across various halal sectors and financial services are essential to foster growth and reduce burdens, especially for MSMEs seeking halal certification (Mambu, 2024).
- Product Diversification and Liquidity: In Islamic capital markets, the range of Sharia-compliant products is still limited compared to conventional markets, and some products lack liquidity. Innovation in product offerings, including those linked to social finance (e.g., waqf-linked sukuk), is needed (Mambu, 2024).

To overcome these challenges and maximize opportunities, a multi-stakeholder approach is required. This includes :

- Digital Transformation: Investing in robust digital platforms and mobile applications to enhance accessibility and user experience for Islamic financial services and halal product marketplaces, which is a key expectation of youth in all three nations (Mambu, 2024).
- Targeted Education and Promotion: Leveraging social media and influencers to increase awareness and literacy about halal and Sharia-compliant options among Millennials and Gen Z, tailoring messages to specific country contexts (Kasri et al, 2024; KNKS, 2023; MITI, 2023; Bhutto et al, 2024).
- Policy Support: Governments should continue to provide incentives, streamline regulations (e.g., halal certification processes for MSMEs), and strengthen infrastructure to support the halal value chain, as exemplified by Malaysia's Halal Industry Master Plan 2030 (MITI, 2023) and Indonesia's Master Plan Industri Halal Indonesia 2023-2029 (KNKS, 2023).
- Collaboration: Fostering partnerships between Islamic financial institutions, fintech companies, and halal industry players to create integrated ecosystems and expand market reach (Mambu, 2024).
- Talent Development: Investing in education and training programs to build a skilled workforce capable of driving innovation and ensuring Sharia compliance across all sectors, crucial for the long-term growth of the Islamic economy in these countries (KNKS, 2023; MITI, 2023; Bhutto et al, 2024).

#### **4. CONCLUSION**

The young generation represents a pivotal force in the growth of the halal and Sharia economy across diverse Muslim-majority nations. Their strong ethical considerations, coupled with a preference for digital solutions, are reshaping consumer demand in countries like Indonesia, Malaysia, and Pakistan. While challenges related to awareness, accessibility, and trust persist, the opportunities for innovation, collaboration, and strategic development are vast. By addressing these aspects comprehensively, the halal and Sharia sectors in these key countries can not only meet the evolving needs of this

influential demographic but also solidify their position as key drivers of a more ethical, sustainable, and inclusive global economy.

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