Generation Z Financial Literacy and Behaviour

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ABSTRACT

The financial landscape has been transformed by rapid advances in digital technologies and financial products, creating both opportunities and challenges for Generation Z (Gen Z), the first true digital natives. Despite their extensive exposure to financial platforms, research shows that many in this cohort possess only moderate financial literacy and often struggle with long-term financial planning. This conceptual paper reviews existing literature on Gen Z's financial literacy and behavioural finance to address three objectives: (1) assess the levels of financial literacy among Gen Z, (2) examine behavioural and psychological factors influencing their financial decision-making, and (3) identify gaps in current research to propose a conceptual framework. The findings underscore that knowledge alone is insufficient without considering behavioural drivers and digital influences that shape financial outcomes. By integrating financial literacy, behavioural finance, and digital contextual factors, this study contributes to a more holistic understanding of Gen Z's financial behaviour. It offers practical insights for designing education initiatives and policy interventions to strengthen youth financial well-being in the digital era.

Keywords: Generation Z, financial literacy, financial behaviour, financial education, digital finance, behavioural finance, youth financial knowledge

INTRODUCTION

Generation Z (Gen Z), typically defined as individuals born between 1995 and 2012, is the first generation to be raised entirely in the digital era (Rothman, 2016). Their constant exposure to the internet, smartphones, and rapidly evolving digital technologies has influenced not only their communication and learning but also their approach to financial management. As this cohort enters higher education, the workforce, and independent living, their financial choices are increasingly relevant for both individual well-being and broader socioeconomic stability.

Financial literacy is defined as the knowledge and skills needed to make informed and effective financial decisions (Viera, 2012). It is critical in navigating today's complex financial environment. It includes competencies in budgeting, saving, investing, borrowing, and risk management. With the growth of digital wallets, mobile banking, cryptocurrencies, and online investment platforms, the demand for financial literacy has never been greater. However, research indicates that despite their technological fluency, Gen Z often lacks the foundational knowledge, confidence, and behaviours required for long-term financial resilience. Sun Life Asia's Financial Resilience Index (2025) revealed that only 57% of Gen Z respondents across six Asian countries felt financially secure, compared to 66% of Millennials and 69% of Baby Boomers, with 28% making financial decisions in isolation. Similarly, the TIAA Institute–GFLEC (2025) found Gen Z scored the lowest in financial literacy among U.S. generations, correctly answering only 38% of basic financial knowledge questions.

This paradox, high digital exposure but limited practical competence, highlights a critical vulnerability within this generation. Although research on financial literacy has expanded, studies focusing specifically on Gen Z remain fragmented. Financial literacy and behavioural finance are often examined separately, with little integration of how psychological traits, socialization, and digital influences shape financial decision-making. Most existing research is also concentrated in Western contexts, leaving gaps in understanding how cultural norms and economic conditions in developing economies affect financial outcomes. Addressing these limitations is crucial, as Gen Z faces not only traditional financial challenges but also emerging risks amplified by fintech innovations, social media, and speculative investing. Against this backdrop, the objectives of this study are:

1. to understand the levels of financial literacy among Generation Z;
2. to understand the behavioural factors that influence the financial decision-making of Generation Z
3. to identify gaps in the existing literature and propose future research directions to enhance financial literacy outcomes

Significance of the Study

Understanding Generation Z's financial literacy and behaviour is significant as this cohort enters adulthood during a period of rapid digital transformation and global economic uncertainty. Their financial well-being will influence not only individual life outcomes but also long-term socioeconomic stability. By integrating financial literacy, behavioural finance, and digital influences, this study contributes a holistic perspective on the drivers of Gen Z's financial decision-making.

Contributions of the Study

Theoretical Contributions: This paper integrates financial literacy and behavioural finance, identifying the mediating role of psychological and social factors, and highlights the moderating effect of digitalisation and social media. It contributes to a more comprehensive understanding of Gen Z's financial behaviour by bridging economic, psychological, and technological dimensions.

Practical Implications: The findings offer valuable insights for educators and policymakers to design effective financial education initiatives that not only build knowledge but also foster behavioural skills and digital resilience. Financial institutions can also utilise these insights to strike a balance between Gen Z's reliance on digital tools and their ongoing need for trusted human guidance. Ultimately, the study identifies opportunities for future research in developing economies, where cultural and institutional contexts significantly influence financial literacy outcomes.

LITERATURE REVIEW

Overview of Generational Differences

Generations are typically defined as groups of individuals born within a specific time frame who share similar formative experiences, cultural influences, and societal events that shape their values, attitudes, and behaviours (Putra, 2017; Jayatissa, 2023). Key generational cohorts commonly discussed include:

1. Baby Boomers (born: 1946–1964): Characterized by a strong work ethic, loyalty to employers, and preference for face-to-face communication.
2. Generation X (born:1965–1980): Known for independence, adaptability, and a balance between work and personal life. They witnessed the rise of personal computing and the internet (Putra, 2017; Kolnhofer-Derecskei et al., 2017).
3. Generation Y/Y/Millennials (born: 1981–1995): Marked by technological savviness, a desire for meaningful work, and a collaborative approach. They are highly familiar with social media and digital communication (Bencsik et al., 2016; Kolnhofer-Derecskei et al., 2017).
4. Generation Z (born:1995/1997–2010/2012): The first true digital natives, shaped by rapid technological change, global connectivity and diverse social environments (Rothman, 2016; Jayatissa, 2023; Putra, 2017; Schenarts, 2020).

Distinctive Characteristics of Generation Z

Generation Z stands out from previous generations due to several defining features:

1. Digital Nativism: Gen Z has grown up with smartphones, social media, and instant access to information, making technology an integral part of their daily lives (Putra, 2017; Schenarts, 2020; Shtepura, 2022; Jayatissa, 2023). They are adept at multitasking and using digital tools for learning, communication and entertainment (Wajdi et al., 2024; Nasrudin et al., 2024).
2. Values and Attitudes: This cohort is entrepreneurial, pragmatic and socially conscious. They value diversity, inclusivity and are more open to change and innovation than previous generations (Pichler et al., 2021; Jayatissa, 2023; Wajdi et al., 2024).
3. Learning and Work Preferences: Gen Z prefers interactive, technology-driven learning environments and values feedback, personalisation and flexibility in both education and the workplace (Schenarts, 2020; Plakhotnik et al., 2024; Wajdi et al., 2024). They are achievement-oriented and dedicated to long-term goals (Schenarts, 2020).
4. Social Engagement: Gen Z is highly connected, values collaboration and is concerned with social and environmental issues. They are more likely to engage in social causes and expect organisations to reflect their values (Jayatissa, 2023; Wajdi et al., 2024).
5. Challenges: While their digital proficiency offers advantages, it also presents risks such as digital distraction, mental health concerns and the need for guidance in managing digital footprints (Schenarts, 2020; Shtepura, 2022).

Defining Financial Literacy

Financial literacy is increasingly recognised as a vital life skill essential for individual well-being, financial security, and broader economic development (Lusardi, 2019; Zaimovic et al., 2023). Although there is no single, universally accepted definition, financial literacy is widely understood as a multidimensional construct that encompasses financial knowledge, practical skills, attitudes, and behaviours necessary for effective money management (Huston, 2010; Remund, 2010; Cude, 2021; Haupt, 2021). Individuals with higher levels of financial literacy are more likely to make informed financial decisions, maintain control over their finances and avoid common financial pitfalls (Viera, 2012).

Research consistently links financial literacy to a range of positive outcomes, including improved financial decision-making, enhanced financial inclusion, better retirement planning and increased economic resilience (Lusardi & Mitchell, 2014; Hasan et al., 2021; Zaimovic et al., 2023). Conversely, low financial literacy is associated with poor financial choices and greater susceptibility to financial stress and unexpected economic shocks (Lusardi & Mitchell, 2014; Stolper & Walter, 2017).

Despite the absence of a single definition, scholars generally agree that financial literacy comprises three core components. First is financial knowledge, which involves understanding key concepts such as budgeting, saving, investing, borrowing, and risk diversification (Lusardi, 2019; Koogler, 2021; Malhotra & Baag, 2021; Zaimovic et al., 2023). Second are skills and application, referring to the ability to apply this knowledge effectively in real-life situations to make sound financial decisions and manage resources efficiently (Warmath & Zimmerman, 2019; Kocoglu, 2021; Malhotra & Baag, 2021). Third are attitudes and behaviours, which include the confidence, motivation, and self-efficacy needed to act on financial knowledge, alongside responsible behaviours such as saving, planning, and mindful spending (Warmath & Zimmerman, 2019; Cude, 2021; Malhotra & Baag, 2021; Haupt, 2021).

Importantly, recent literature emphasises that financial literacy extends beyond basic knowledge. It also entails adaptive skills and the psychological readiness to manage finances in a constantly evolving financial landscape (Warmath & Zimmerman, 2019; Remund, 2010; Haupt, 2021). As digital technologies increasingly shape financial behaviours, the concept has expanded to include digital financial literacy, highlighting the importance of navigating financial decisions through digital platforms (Kocoglu, 2021; Zaimovic et al., 2023).

The Importance of Financial Literacy Among Generation Z

Understanding financial literacy among Generation Z has never been more crucial, especially as they navigate a rapidly changing world shaped by digital technology and economic uncertainty. Growing up in the digital age, Gen Z is constantly exposed to online banking, digital currencies, and social media-driven spending habits, factors that can both empower and mislead their financial decisions (OECD, 2020; Robb & Woodyard, 2011). At the same time, they are stepping into adulthood while facing real challenges, including rising student debt, inflation, unstable job markets, and an increase in financial scams (Lusardi, 2019; Sun Life Asia, 2023). Without strong financial knowledge and decision-making skills, many could fall into debt traps or experience long-term financial instability.

Hasler & Lusardi (2017) emphasise that when young people are equipped with the right knowledge and tools, they are more likely to build healthy financial habits, plan for the future and contribute to a more resilient economy. With today's financial markets becoming increasingly complex and investment options becoming more varied, financial literacy is no longer just a nice-to-have, but a must, especially for young people who are now a key target group in the global economy (Altintas, 2011). As Chen and Volpe (1998) noted, young adults require basic financial knowledge to make informed decisions about spending, saving, and investing. Furthermore, the absence of financial capability can adversely affect not only individuals but also families, leading to increased consumer debt, bankruptcies and a lack of savings for retirement (Lyons & Hunt, 2003; Jorgensen & Savla, 2010). Therefore, assessing and enhancing financial literacy in Generation Z is vital for individual well-being and broader socioeconomic stability.

METHODOLOGY

This study adopts a scoping review methodology to explore and synthesise existing literature related to financial literacy and behavioural factors influencing financial actions among Generation Z. A scoping review is deemed appropriate for this research as it allows for a comprehensive mapping of existing knowledge, helping to identify key concepts, research trends and thematic patterns within a broad field of inquiry. This approach follows the framework proposed by Arksey and O'Malley (2005), later refined by Levac et al. (2010), which involves identifying the research question, locating relevant studies, selecting appropriate literature, charting the data, and summarizing the findings.

The literature search was conducted across multiple academic databases, including Scopus, Web of Science, and Google Scholar, covering the publication period from 2010 to 2025. Keywords used in the search strategy included combinations such as "financial literacy," "financial behaviour," "Generation Z," "youth financial knowledge," and "financial education." Inclusion criteria were applied to focus on peer-reviewed journal articles published in English that specifically address financial literacy levels or behavioural aspects among individuals belonging to Generation Z (typically born between 1995 and 2012). Studies that concentrated on other age cohorts, were not peer-reviewed, or lacked substantive empirical or conceptual contributions, were excluded from the review.

Once the relevant literature was identified and selected, thematic analysis was employed to extract and categorise key findings. This involved identifying recurring themes and behavioural factors that influence financial actions among Generation Z, including attitudes, digital engagement, peer influence, and financial socialization. The findings are presented in a narrative format to highlight prevailing trends and provide insights into the current state of research in this area, ultimately supporting the study's aim of understanding financial literacy and behaviour among Generation Z.

RESULTS AND DISCUSSION

Overall Level of Financial Literacy of Generation Z and the Generational Comparison

Studies consistently indicate that Generation Z exhibits moderate financial literacy, with a mix of strengths and areas that require improvement. For instance, in workplace settings, Generation Z employees tend to have moderate financial literacy, with relatively strong saving habits but low investment participation. Their financial decisions are often influenced by consumerism, social media, and easy access to credit (Silaban & Widodo, 2025). For university students, financial awareness is present. However, their saving habits and use of financial applications are notably weak, suggesting that financial literacy is not yet translating into comprehensive financial well-being (Akibun et al., 2025). A study by Viana et al. (2022) classified Gen Z as "well literate" in financial inclusion indices, although this does not consistently translate into actual investment engagement. The 2023 Gen Z Financial Health Survey by Etiqa further reveals that only 45% of Gen Z in Malaysia and Singapore feel confident managing their finances, reflecting shared financial anxieties and modest self-assessed competence.

The TIAA Institute, in collaboration with the Global Financial Literacy Excellence Centre (GFLEC), has conducted extensive research on financial literacy across U.S. demographics, with a particular focus on young adults. Its studies consistently highlight a concerning gap in basic financial knowledge among Generation Z. The TIAA Institute–GFLEC Personal Finance Index (2025) reported that Gen Z scored the lowest among all age groups, correctly answering only 38% of 28 financial literacy questions covering budgeting, saving, debt management, and inflation. Earlier assessments revealed similar patterns, with only about one-third of college students demonstrating proficiency in basic financial concepts (TIAA Institute–GFLEC, 2022). These findings underscore persistent weaknesses in financial understanding despite increased exposure to financial information and tools.

Although Generation Z is highly active on digital financial platforms, their grasp of fundamental financial concepts remains limited. Differences in socioeconomic background, educational attainment, and digital engagement contribute to this gap (Pandya, 2023; Prihatma et al., 2024; Singh et al., 2025). This pattern is not confined to the United States. Other international evidence points to similar trends. In Brazil, for instance, Gen Z’s financial competencies were found to be lower than those of Generations X and Y and comparable to Baby Boomers (Potrich et al., 2024). Studies across various contexts (Maltseva et al., 2022; Pandya, 2023; Prihatma et al., 2024) suggest that Gen Z’s limited life experience and focus on short-term goals hinder their ability to make informed long-term financial decisions. Consistent with global reviews (Garg & Singh, 2018), these results reaffirm that youth, including Gen Z, generally exhibit low financial literacy influenced by age, gender, income, and education level.

However, contrasting evidence from India reveals a more optimistic trend. Mittal and Gupta (2025) found that Gen Z outperformed Millennials across various financial literacy domains, including investment awareness and risk profiling, also demonstrating stronger engagement in financial planning. Likewise, Pavkovic et al. (2024) reported that Gen Z students in 2022 surpassed Millennials from 2016 in financial assessments, suggesting that digital exposure and evolving educational methods may be driving generational gains. Nonetheless, other studies caution that when controlling for demographic variables such as age, gender and education, differences in financial literacy between Gen Z and Millennials often diminish (Octasylva & Khasanah, 2023; Catacutan & Moleno, 2024), indicating that generational comparisons must be interpreted in context.

In summary, Generation Z's financial literacy is moderate and improving, but findings on generational comparisons are mixed. The findings suggest that Gen Z exhibits both strengths and weaknesses across the key financial literacy domains. They exhibit strengths in specific domains such as saving habits, particularly among young professionals and growing engagement in areas like investment awareness, risk profiling, and financial planning, reflecting a positive shift toward deeper financial involvement. However, these strengths are contrasted by persistent weaknesses, including limited use of financial applications, low participation in investment activities and a lack of confidence in financial decision-making. Their understanding of core financial concepts, such as saving, investing, and debt management, remains limited, often shaped by socioeconomic disparities, educational background, and uneven digital engagement. Despite high levels of connectivity and exposure to digital financial content, many Gen Z individuals still struggle to translate knowledge into confident, informed financial action.

The factors in Shaping Financial Literacy among Generation Z

Socio-demographic factors play a crucial role in shaping financial literacy among Generation Z. The literature consistently highlights the significant influence of education level, gender, and parental education on financial knowledge, attitudes, and behaviours in this cohort.

Education Level

Education level is one of the strongest predictors of financial literacy among Gen Z. Higher educational attainment is associated with better financial knowledge and decision-making skills. For example, research in India has found that their educational level and type significantly influence the degree of financial literacy among Gen Z employees, underscoring the need for effective financial education strategies to improve financial outcomes for young people (Adhikari, 2023). Similarly, broader reviews confirm that educational attainment enhances financial skills, awareness, and the ability to make informed financial decisions (Nursjanti & Amaliawiati, 2024; Garg & Singh, 2018). A study in France by Le Fur & Outreville (2022) further notes that students not enrolled in finance-related courses often report lower financial literacy levels, indicating a lack of exposure to formal financial education.

Gender

Gender differences in financial literacy are well-documented. Studies show that males often report higher financial literacy levels than females, although the gap varies by context and region (Garg & Singh, 2018; Yusup & Hongdiyanto, 2023; Nursjanti & Amaliawiati, 2024; Potrich et al., 2024). In some cases, cultural expectations influence how financial knowledge is transmitted within families. For instance, parents may be more inclined to teach daughters about finances due to the expectation that females will manage household finances. At the same time, in other contexts, males may receive more encouragement to engage with financial matters (Ghafoor & Akhtar, 2024). These gendered patterns can lead to persistent disparities in financial knowledge and confidence.

Parental Education and Financial Socialization

Parental education and financial socialization are critical in shaping Gen Z's financial attitudes and behaviours. Parents with higher education levels are more likely to engage their children in financial discussions, involve them in household financial decisions, and model positive financial behaviours (Ghafoor & Akhtar, 2024; Nursjanti & Amaliawiati, 2024). However, the influence is complex: one study found that a father's higher education level could negatively influence Gen Z's financial attitudes, possibly due to differing expectations or communication styles within families (Ghafoor & Akhtar, 2024). Parental socioeconomic status also impacts access to financial resources and learning opportunities, further affecting financial literacy outcomes (Nursjanti & Amaliawiati, 2024).

Additional Socio-demographic Factors

Other factors, such as regional disparities, age, income, and digital engagement, also play a role. Urban Gen Z individuals generally exhibit higher financial literacy and greater adoption of fintech tools compared to their rural counterparts (Singh et al., 2025). Age and income can impact financial confidence and investment behaviours, while digital engagement, although widespread among Gen Z, improves financial literacy only when paired with genuine financial interest and active learning (Yusup & Hongdiyanto, 2023). Similarly, Susanto et al. (2025) emphasise that while Gen Z is highly proficient in digital tools, technological advancement alone does not significantly influence their investment decisions. Instead, financial literacy and attitudes have a more substantial effect.

Behavioural Factors and Finance Perspectives on Generation Z's Financial Decision-Making

A complex interaction of financial literacy, psychological traits, social influences, technology use and lifestyle choices influences Generation Z's financial decision-making. While financial knowledge provides a foundation, behavioural finance perspectives highlight that knowledge alone does not guarantee responsible outcomes. Instead, decisions are shaped by attitudes, emotions, and contextual factors that often override rational reasoning.

Behavioural finance theories help explain how Generation Z makes financial decisions. Simon’s (1955) bounded rationality suggests that people decide based on limited information and thinking capacity, which fits Gen Z as they deal with overwhelming digital data. Thaler’s (1999) mental accounting explains how Gen Z treats 'digital money' (like e-wallets or crypto) differently from 'real money,' which can lead to inconsistent spending habits.

Together, these theories shed light on the cognitive and emotional factors shaping Gen Z's financial attitudes and behaviours.

Financial Attitude, Knowledge and Self-Efficacy

Research consistently shows that positive financial attitudes, higher levels of financial knowledge, and strong self-efficacy are associated with responsible financial behaviours, such as saving, investing, and disciplined spending (Saputri et al., 2025; Jordan & Nuringsih, 2023). In Bengkulu City, these three factors accounted for nearly 60% of the variance in financial behaviour (Saputri et al., 2025). However, studies also reveal that literacy must be accompanied by positive financial habits—such as budgeting and self-control—otherwise, even informed individuals may still exhibit poor practices (Rodriguez et al., 2025).

Technology, Social Media and FOMO

The digital environment has a profound impact on the financial practices of Gen Z. On one hand, financial technology (fintech) increases access to savings, payments, and investments. On the other hand, social media platforms like TikTok, Instagram, and YouTube expose young adults to financial influencers ("finfluencers") who provide both guidance and risky advice (Kulsum, 2024; Hayes & Ben-Shmuel, 2024). This democratizes access to financial information but also encourages speculative and impulsive decisions, especially in high-risk assets such as cryptocurrencies and meme stocks. The "fear of missing out" (FOMO) associated with social media further intensifies risky spending and herd behaviour (Singh et al., 2025).

Socialisation and Trust in Guidance

Parental influence, family financial socialisation, and peer interactions significantly shape Gen Z's financial behaviour (Hafizha & Arifin, 2025). Despite their digital fluency, young investors still value relational trust and human guidance. A CFA Institute survey (2025) reported that 91% of Gen Z investors prefer human financial advisors over AI tools or online influencers, emphasising the importance of empathy and personalized support in navigating complex financial decisions.

Lifestyle, Materialism and Emotional Drivers

Lifestyle preferences, particularly hedonism and materialism, are closely linked to consumptive and impulsive financial patterns (Fitriani et al., 2024). Behavioural finance perspectives suggest that these tendencies stem from emotional biases such as overconfidence, loss aversion, and short-term gratification, which often undermine rational decision-making. Nevertheless, positive financial attitudes and stronger self-discipline can mitigate the negative impacts of materialistic behaviours (Fitriani et al., 2024; Merliyana & Syakinah, 2024).

Digitalisation and Social Media Influences on Generation Z's Financial Decisions

Digitalisation has fundamentally reshaped how Generation Z interacts with financial systems. Unlike previous generations, Gen Z has grown up in an environment where mobile banking, e-wallets, and online trading platforms are standard tools for managing money. This digital fluency offers greater accessibility to financial products and services, but it also introduces new challenges related to information overload, financial scams, and unregulated financial advice.

One of the most significant influences on Gen Z's financial behaviour is social media. Financial content on platforms such as TikTok, YouTube, and Instagram has surged, giving rise to so-called "finfluencers." These content creators offer tips on budgeting, investing, and building wealth, often presented in concise, engaging, and relatable formats. While such content has increased awareness of financial topics, it has also been criticised for spreading oversimplified or misleading advice (Kulsum, 2024; Hayes & Ben-Shmuel, 2024). This environment fosters speculative behaviours, particularly around volatile assets such as cryptocurrencies and meme stocks, where decisions are influenced more by viral trends than by rational analysis.

At the same time, digital platforms are shaping new financial habits. For example, the "loud budgeting" trend on TikTok, in which young users publicly share their savings goals, has gained popularity as a form of peer

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accountability. Early evidence suggests that participants in this trend save an average of over $600 per month, demonstrating the potential of social media to promote positive behavioural norms (Business Insider, 2024). Such examples illustrate the dual nature of social media. While it can encourage risky speculation, it can also reinforce constructive habits when financial literacy is framed in engaging and socially meaningful ways.

Beyond social media, fintech innovations have expanded financial opportunities for Gen Z. Mobile investment apps and digital payment systems have lowered barriers to entry, making it easier for young people to save, invest, and transact. However, research also shows that many Gen Z individuals remain underprepared for long-term financial planning, despite actively participating in digital finance. A recent JPMorgan Chase Institute report (2025) found that stock market participation among lower-income Gen Z has increased fivefold over the past decade. However, their personal savings remain low, suggesting that digital access alone does not guarantee financial resilience.

Drawing from the preceding discussion, it is evident that Generation Z’s financial literacy and decision-making are shaped by a combination of socio-demographic, behavioural, and technological factors. To provide a clearer overview of how these influences have been examined across different contexts, Table 1 summarises key empirical studies related to these themes. The table highlights variations in research settings, methodologies, and findings, illustrating both the common trends and unique insights that contribute to understanding the financial behaviour of Generation Z globally.

Table 1: Summary of Studies on Factors Shaping Financial Literacy and Decision-Making Among Generation Z

Country	**Method**	**Findings**
India (Adhikari, 2023)	Quantitative survey of Gen Z employees	Education level and type significantly influence financial literacy; highlights the need for targeted financial education strategies.
Indonesia (Nursjanti & Amaliawiati, 2024)	Quantitative study among students	Education, gender, and parental education strongly affect financial literacy and behaviour; higher parental education enhances financial discussions and modelling.
France (Le Fur & Outreville, 2022)	Cross-sectional survey among university students	Students outside finance-related programs show lower financial literacy, underscoring the importance of formal financial education.
Global (Garg & Singh, 2018)	Literature review	Educational attainment and gender differences are consistent determinants of financial literacy across regions.
Indonesia (Yusup & Hongdiyanto, 2023)	Survey and regression analysis	Males demonstrate higher financial literacy; digital engagement improves literacy only with genuine interest and active learning.
Pakistan (Ghafoor & Akhtar, 2024)	Quantitative study on university students	Parental education influences financial literacy and attitudes; in some cases, father’s higher education negatively impacts financial attitudes due to communication styles.
Brazil (Potrich et al., 2024)	Quantitative research	Confirms gender disparities in financial literacy; males generally score higher than females.
India (Singh et al., 2025)	Comparative regional survey	Urban Gen Z shows higher financial literacy and fintech adoption than rural youth; FOMO drives speculative investment behaviour.
Indonesia (Susanto et al., 2025)	Quantitative analysis	Digital proficiency alone does not predict investment behaviour; financial literacy and attitudes play stronger roles.
Indonesia (Saputri et al., 2025)	Multiple regression analysis (Bengkulu City)	Financial attitude, knowledge, and self-efficacy explain 60% of variance in financial behaviour among Gen Z.
Indonesia (Jordan & Nuringsih, 2023)	Survey	Positive financial attitude and strong self-efficacy promote saving, investing, and disciplined spending.
Philippines (Rodriguez et al., 2025)	Quantitative study	Financial literacy alone is insufficient—must be paired with good habits like budgeting and self-control.

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Indonesia (Kulsum, 2024)	Content analysis of social media influencers	Financial influencers ("finfluencers") democratize financial information but can promote speculative and impulsive decisions.
Israel & U.S. (Hayes & Ben-Shmuel, 2024)	Mixed-methods study	Financial content on social media simplifies complex topics but spreads misinformation, influencing risky behaviour.
Indonesia (Hafizha & Arifin, 2025)	Survey on family and peers	Family and peer socialisation strongly shape financial behaviours; relational trust remains key in financial decisions.
Global (CFA Institute, 2025)	Cross-national survey	91% of Gen Z investors prefer human advisors over AI tools, valuing empathy and personal guidance.
Indonesia (Fitriani et al., 2024)	Survey	Hedonistic and materialistic lifestyles increase impulsive spending; self-discipline mitigates negative outcomes.
Indonesia (Merliyana & Syakinah, 2024)	Quantitative study	Strong financial attitudes reduce the impact of materialism on poor financial decisions.
U.S. (Business Insider, 2024)	Report on social trend ("loud budgeting")	Public saving goals on TikTok promote peer accountability and higher saving rates (≈ USD 600/month).
Global (JPMorgan Chase Institute, 2025)	Institutional report	Stock market participation among low-income Gen Z has risen fivefold, but personal savings remain low—digital access alone doesn't ensure resilience.

Gaps in Literature

Although there is a growing body of research on Generation Z's financial literacy and financial behaviour, several important gaps remain as follows:

Reliance on self-reported surveys limits accuracy

Most studies assess financial literacy and behaviour using questionnaires, which may not fully capture actual decision-making in real-world contexts. As a result, findings often reflect what individuals *believe* they know or do, rather than their true levels of literacy and behaviour (TIAA Institute, 2025).

Financial literacy and behavioural finance are often studied in isolation

While research on Gen Z's knowledge of budgeting, saving, and investing is expanding, few studies integrate this with insights from behavioural finance. Understanding how psychological factors, attitudes, and biases influence the relationship between financial knowledge and decision-making is crucial for developing a more comprehensive perspective (Rodriguez et al., 2025).

Limited exploration of the role of digital finance and social media

Fintech applications, cryptocurrencies, and social media platforms are now central to Gen Z's financial lives. However, their influence is underexplored in the academic literature. Existing studies are often descriptive rather than analytical, leaving gaps in understanding how digital platforms shape long-term financial behaviours, both positively and negatively (e.g., speculative investing driven by finfluencers).

Research is concentrated in Western contexts

Most evidence comes from the United States and Europe, with relatively few studies conducted in developing economies. Cultural, economic, and institutional differences may influence how Gen Z understands and applies financial knowledge. For example, students in Asia may face distinct financial challenges, including limited access to investment products, cultural attitudes toward debt, or a greater reliance on family financial networks (Susanto et al., 2025).

The gap between confidence and capability

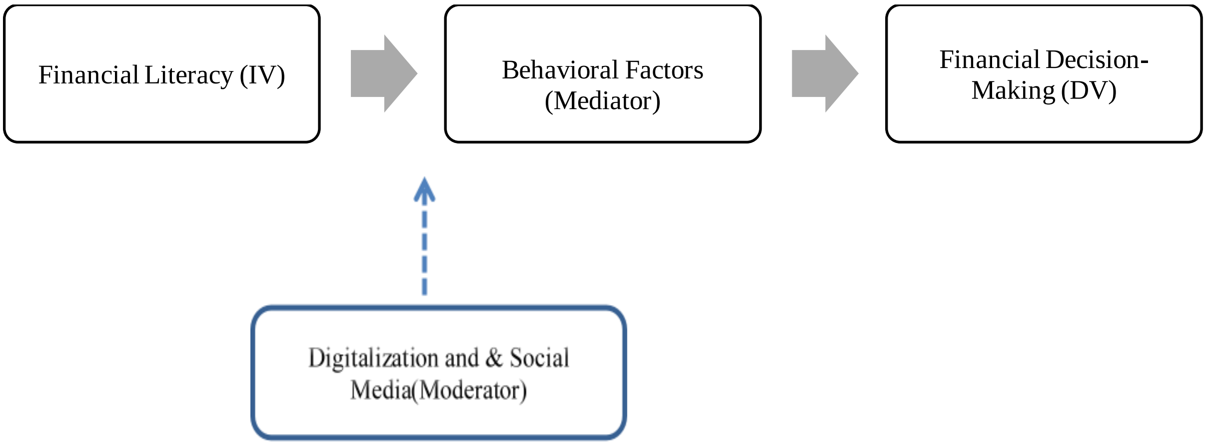
Studies consistently show that Generation Z often feels confident in financial matters despite having low to moderate literacy levels (TIAA, 2025). This "overconfidence gap" is under-researched, yet it is critical because it may drive riskier decision-making, such as high reliance on credit cards or speculative stock market participation

Together, these gaps demonstrate the need for research that integrates financial literacy and behavioural finance perspectives, examines the role of digital finance, and provides evidence from diverse cultural contexts. Addressing these issues will contribute to a more comprehensive understanding of Generation Z's financial decision-making and support the development of interventions to enhance their financial well-being.

Proposed Conceptual Framework

The framework assumes that financial literacy (knowledge, understanding, and skills) influences Generation Z's financial decision-making. However, this relationship is not direct; it is shaped by behavioural factors (attitudes, habits, psychological biases, and social influences). Furthermore, digitalisation and social media act as external contextual factors that can either strengthen or weaken the link between knowledge and behaviour.

Fig. 1. Conceptual framework



The conceptual framework has been refined to integrate established behavioural finance principles. Core models such as bounded rationality (Simon, 1955) and mental accounting (Thaler, 1999) provide theoretical grounding for understanding Generation Z's financial decision-making. These theories explain how cognitive limitations, emotional heuristics, and compartmentalized money perceptions mediate the relationship between financial literacy and behaviour. Digitalisation and social media are conceptualised as moderating factors that influence behavioural responses, showing that knowledge alone is insufficient for sound financial outcomes.

Explanation of Components

Financial Literacy

Category: Independent Variable (IV)

Definition: The knowledge, skills, and awareness related to managing finances (budgeting, saving, investing, risk management).

Role: Acts as the predictor variable that influences financial decision-making.

Behavioral Factors

Category: Mediating Variable (MV)

Definition: Psychological, social, and attitudinal aspects such as attitudes toward money, self-control, impulsivity, peer influence, and overconfidence.

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Role: Explains the mechanism by which financial literacy impacts decision-making.

Financial Decision-Making

Category: Dependent Variable (DV)

Definition: Actual financial behaviours such as saving, investing, borrowing, and spending.

Role: The outcome variable is influenced by literacy (IV) and behavioural factors (MV).

Digitalisation & Social Media

Category: Moderating Variable (MoV)

Definition: The digital financial environment, including fintech apps, influencers, online platforms, and viral financial trends.

Role: Acts as a moderator that strengthens or weakens the relationship between financial literacy/behavioural factors and decision-making.

Contribution of the Framework

This framework highlights the need to study financial literacy in tandem with behavioural finance while also considering the unique digital environment of Generation Z. By integrating these perspectives, future research can better explain why Gen Z sometimes makes risky financial choices despite being financially literate, and how interventions can be tailored to strengthen both knowledge and behaviour.

Policy and Education Recommendations

To strengthen Generation Z's financial capability, several practical strategies can be adopted. First, educational institutions should integrate behavioural finance modules into their curricula to help students understand how psychological biases and emotional factors influence financial decisions. Second, learning should be made more engaging through experiential approaches such as gamified budgeting exercises, investment simulations, and real-world fintech applications that allow students to practice financial management in a safe environment. Third, partnerships with fintech companies can be established to develop certified financial literacy tools specifically tailored for young users, ensuring credibility and relevance. Fourth, it is important to set digital literacy standards and promote transparent risk communication so that Gen Z can navigate financial technologies responsibly and recognize potential risks. Finally, adopting hybrid advisory models that combine human expertise with digital platforms can provide balanced and personalized financial guidance, fostering both confidence and accountability in young investors.

CONCLUSION

This paper examined Generation Z's financial literacy and decision-making within the context of digital transformation and behavioural finance. The review reveals a paradox: while Gen Z is digitally fluent and increasingly exposed to financial tools, many lack the foundational knowledge, confidence, and behavioural consistency needed for long-term financial resilience. Their financial choices are often shaped by emotional drivers, peer influence, and digital content, resulting in a confidence–capability gap where perceived competence exceeds actual skills. Theoretically, this study advances understanding by integrating financial literacy and behavioural finance into a single conceptual framework, emphasising the mediating role of psychological and social factors and the moderating influence of digitalisation and social media. This holistic approach explains why financial knowledge alone does not guarantee sound decision-making and highlights the importance of considering behavioural traits and digital environments in financial research. Practically, the findings highlight the need for financial education initiatives that extend beyond knowledge transfer to focus on developing behavioural skills, critical evaluation of financial information, and resilience against digital misinformation. Policymakers and educators should design targeted interventions that consider the unique financial vulnerabilities of Gen Z. In contrast, financial institutions should strike a balance between digital innovation and trusted human guidance. Future research should address current limitations by moving beyond self-reported measures, exploring cross-cultural contexts, and investigating the psychological mechanisms underlying the confidence–capability gap.

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