PJEB: Porhis Journal of Economics and Business

Vol. 01 No. 01 October (2025) | page 27-32
e-ISSN: xxx-xxxx p-ISSN: xxx-xxxx

The Influence of Financial Literacy and Digital Literacy on the Financial Behavior of Generation Z in Indonesia

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ARTICLE INFO

Article history:

Received: 14 July, 2025
Revised: 20 August, 2025
Accepted: 14 September, 2025

Keywords:

Financial literacy
Digital literacy
Financial behavior
Generation Z

ABSTRACT

This study aims to analyze the influence of financial literacy and digital literacy on the financial behavior of Generation Z in Indonesia. Using a quantitative approach, data were collected through a survey of 30 respondents aged 18–28 years who actively use digital financial services. The variables measured include financial literacy (knowledge, attitudes, awareness, experience, and skills), digital literacy (social networking, privacy management, content handling, and broadcasting), and financial behavior (consumption, cash flow management, credit, saving, and investment). Multiple linear regression analysis was conducted using SPSS. The results show that both financial literacy and digital literacy simultaneously have a significant effect on financial behavior (R^2 = 0.54). Partially, financial literacy has a significant positive effect on financial behavior ($p = 0.004$), while digital literacy does not significantly affect financial behavior ($p = 0.375$). These findings indicate that financial literacy plays a more dominant role in shaping the financial behavior of Generation Z compared to digital literacy. This study contributes to consumer behavior and financial management literature by highlighting the importance of strengthening financial education, supported by digital innovation, to improve the financial well-being of young generations in Indonesia.

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INTRODUCTION

The emergence of digital banking services represents a major transformation in the financial system, driven by rapid advances in digital technology. These services allow users to conduct financial transactions quickly, easily, and flexibly without visiting physical branches. Born between 1997 and 2012, Generation Z in Indonesia is a cohort that has grown up with technological breakthroughs and is highly familiar with digital financial services. The use of digital banking increased significantly in 2023, with transaction value growth reaching 30.44% compared to the previous year, according to the Financial Services Authority of Indonesia (OJK, 2023). However, despite easier access to financial services, many members of Generation Z do not exhibit healthy financial behavior. Such behavior includes prudent spending, effective financial planning, and consistent saving habits. The convenience of digital services can become a double-edged sword when not accompanied by adequate financial competence.

This issue is pressing given Indonesia's relatively low financial literacy rate. The 2022 National Survey on Financial Literacy and Inclusion (SNLIK) reported a financial literacy index of 49.68%. The gap between easy access to digital banking and limited financial knowledge can lead Generation Z toward consumerism and poor financial decision-making. It is therefore crucial to understand how their levels of digital and financial literacy affect their financial behavior. Previous studies have emphasized the importance of financial technology and financial literacy in influencing financial behavior. Widiantari et al. (2023) confirmed that financial literacy significantly shapes Generation Z's behavior in a cashless society. Similarly, Andiani and Maria (2023) demonstrated that financial knowledge and financial technology positively affect financial behavior. Sulistyaningrum et al. (2023)

highlighted the role of financial literacy and lifestyle in influencing financial conduct in the digital economy era. Moreover, Umniyah and Hidayaty (2023) found that e-money and financial literacy jointly impact the financial behavior of Generation Z students. Most recently, Baan et al. (2024) emphasized the need to strengthen financial literacy to support financial technology utilization among Generation Z in the context of Society 5.0.

The Theory of Planned Behavior (Ajzen, 1991) provides the theoretical foundation for this study. It posits that individual behavior is determined by intention, which in turn is influenced by three key components: attitude toward behavior, subjective norms, and perceived behavioral control. In this context, the convenience of digital banking services and financial literacy can influence Generation Z's intention to manage and make sound financial decisions. This study contributes to the literature by adopting a more specific and contextual approach to examining Generation Z's financial behavior in Indonesia. Unlike prior research that often focused on financial literacy or financial technology in general—such as e-money and fintech—this study specifically investigates the role of digital literacy, including mobile banking, internet banking, and other digital features, as one of the main variables. This focus is particularly relevant given that digital banking has become the dominant financial platform for Generation Z's daily financial activities.

Furthermore, the study integrates two critical factors—financial literacy and digital literacy—into a single analytical framework to assess their combined effect on financial behavior. This integrated perspective offers a more comprehensive understanding, as few studies have directly examined the simultaneous influence of these two variables. The research also considers the unique characteristics of Generation Z in Indonesia, who are known for high digital consumption patterns and a preference for practical and instant lifestyles.

On an applied level, this study aims to provide strategic recommendations for financial institutions, particularly banks, to develop digital services and financial education initiatives tailored to the needs and characteristics of young generations. As such, this research not only enriches existing knowledge but also offers practical insights for promoting financial stability and inclusiveness in the digital era. The objective of this study is to evaluate the extent to which digital and financial literacy influence the financial behavior of Generation Z and to provide relevant empirical evidence to support the development of digital-based financial literacy policies.

The ability to understand, manage, and make sound financial decisions—such as saving, budgeting, and avoiding excessive debt—constitutes the core of financial literacy. According to the Theory of Planned Behavior (Ajzen, 1991), intention is shaped by attitudes toward behavior, perceived social norms, and perceived behavioral control, all of which influence individual behavior. In this regard, financial literacy plays a vital role in fostering positive attitudes toward financial management and enhancing individuals' confidence in their ability to manage finances independently.

Previous studies confirm the positive impact of financial literacy on Generation Z's financial behavior. Widiantari et al. (2023) and Wahyuni & Setiawati (2023) found a direct correlation between strong financial knowledge and responsible financial behavior, including saving and financial planning. Similar findings were reported by Fatimah & Fathihani (2023) and Andiani & Maria (2023), who argued that financial literacy reduces consumptive tendencies and promotes rational financial practices. Additional studies by Sulistyaningrum et al. (2023) and Umniyah & Hidayaty (2023) also demonstrated that financial literacy enables young people to make more prudent financial decisions. Based on the reviewed literature, the following hypothesis is proposed: H1 — Financial literacy positively influences the financial behavior of Generation Z in Indonesia.

Digital literacy involves the ability to access, evaluate, and utilize information and technology-based financial services, such as digital banking. Within the framework of the Theory of Planned Behavior, digital literacy may influence perceived behavioral control, as digitally proficient individuals tend to feel more confident and capable of managing financial activities through digital platforms. This, in turn, shapes their intention and actions toward more efficient and planned financial behavior.

Baan et al. (2024) highlighted the complementary roles of digital and financial literacy in enhancing Generation Z's use of financial technology, particularly in facing the challenges of Society 5.0. Similarly, Mursita et al. (2024) and Mawardi et al. (2023) confirmed that digital technology usage, when supported by digital literacy, can curb consumptive behavior and improve financial awareness. Furthermore, Sadiah & Puspa (2024) demonstrated that digital literacy increases accessibility and motivates saving through digital channels, thereby reinforcing responsible financial behavior. In line with prior studies, this research develops the following hypothesis: H2 — Digital literacy is expected to exert a positive effect on the financial behavior of Generation Z in Indonesia.

RESEARCH METHOD

A. Research Design

This study employed a quantitative research design with an explanatory approach, aiming to test the effect of financial literacy and digital literacy on the financial behavior of Generation Z in Indonesia. The design was chosen to provide empirical evidence through hypothesis testing using statistical models.

B. Population and Sample

The population in this study consists of Generation Z individuals in Indonesia, particularly those aged 18–28 years who actively use digital financial services. A purposive sampling technique was applied with the criteria that respondents must: (1) belong to Generation Z, and (2) be active users of digital financial applications (e-wallets, mobile banking, or investment apps). A total of 30 respondents participated in the survey.

C. Data Collection

Primary data were collected using an online questionnaire distributed via Google Form. The questionnaire was structured using a Likert scale (1 = strongly disagree to 5 = strongly agree). It consisted of three main constructs:

1. Financial Literacy (X1): covering knowledge, attitudes, awareness, experience, and skills in financial management.
2. Digital Literacy (X2): including aspects such as social networking, identity management, privacy protection, content evaluation, and digital transactions.
3. Financial Behavior (Y): measured through indicators of consumption, cash flow management, credit usage, savings, and investment.

D. Instrument Validity and Reliability

The research instrument was tested using validity (Pearson product-moment correlation) and reliability (Cronbach's Alpha) tests. All items met the validity requirement (r-count > r-table) and reliability standard ($\alpha > 0.70$), indicating that the questionnaire was suitable for further analysis.

Data Analysis

Data were analyzed using multiple linear regression with SPSS version 25. The analysis process included:

1. Classical assumption tests (normality, multicollinearity, heteroscedasticity).
2. Regression testing (simultaneous F-test, partial t-test).
3. Coefficient of determination (R^2) to evaluate the explanatory power of the model.

This analytical framework allowed testing of the proposed hypotheses regarding the relationship between financial literacy, digital literacy, and financial behavior.

RESULTS AND DISCUSSIONS

A. Respondent Characteristics

The respondents consisted of 30 Generation Z individuals aged between 18–28 years. All respondents are active users of digital financial services, including e-wallets, mobile banking, and online investment applications. This demographic profile reflects the suitability of the sample for analyzing the influence of financial and digital literacy on financial behavior.

Table 1. Characteristics of Respondents (N = 30)

Category	Subcategory	Frequency	Percentage (%)
Gender	Male	12	40.00.00
	Female	18	60.00.00
Age	18–21 years	10	33.03.00
	22–25 years	14	46.07.00
	26–28 years	6	20.00
Education	Diploma/Bachelor	21	70.00.00
	Postgraduate	9	30.00.00
Occupation	Student	20	66.07.00

	Employee/Entrepreneur	10	33.03.00
Digital Finance Use	Daily	25	83.03.00
	Weekly	5	16.07

B. Instrument Validity and Reliability

Table 1. Validity and Reliability Test Results

Variable	Indicator Items	r-count	r-table	Validity	Cronbach's Alpha	Reliability
Financial Literacy (X1)	6	> 0.361	0,250694444	Valid	0,563888889	Reliable
Digital Literacy (X2)	6	> 0.361	0,250694444	Valid	0,545138889	Reliable
Financial Behavior (Y)	5	> 0.361	0,250694444	Valid	0,55625	Reliable

All indicators for financial literacy, digital literacy, and financial behavior were valid because their correlation coefficients (r-count) exceeded the critical value (0.361). The Cronbach's Alpha values for all variables were above 0.70, indicating good reliability. Thus, the questionnaire used in this study is both accurate and consistent in measuring the intended constructs.

C. Classical Assumption Tests

Table 2. Classical Assumption Test Results

Test	Result	Conclusion
Normality (Kolmogorov-Smirnov)	Sig. = 0.200 > 0.05	Normal distribution
Multicollinearity	VIF < 10, Tolerance > 0.1	No multicollinearity
Heteroscedasticity	Sig. > 0.05 for all variables	No heteroscedasticity

The Kolmogorov-Smirnov test produced a significance value greater than 0.05, confirming that the residuals were normally distributed. Multicollinearity was not present since the Variance Inflation Factor (VIF) values were below 10 and tolerance values exceeded 0.1. Furthermore, the heteroscedasticity test showed significance values above 0.05, indicating homoscedasticity. These results suggest that the dataset satisfies the assumptions required for regression analysis.

D. Regression Analysis

Table 3. Multiple Regression Results

Variable	β (Coefficient)	t-count	Sig.	Conclusion
Financial Literacy (X1)	0,43125	3.164	0.004	Significant
Digital Literacy (X2)	0,123611111	0,629166667	0,260416667	Not significant
Constant	8.752	–	–	–
R^2	0,375	–	–	–

The regression results indicate that financial literacy has a significant and positive effect on financial behavior ($\beta = 0.621$, $p = 0.004$). This means that as financial literacy increases, financial behavior improves accordingly. On the other hand, digital literacy does not significantly affect financial behavior ($p = 0.375$), suggesting that digital skills alone are not sufficient to shape responsible financial behavior without adequate financial knowledge. The R^2 value of 0.54 implies that 54% of the variation in financial behavior can be explained by the two independent variables, while the remaining 46% is influenced by other factors not included in this model.

E. Simultaneous Effect

Table 4. F-Test Results

Model	F-count	Sig.	Conclusion
Regression (X1, X2 → Y)	16.422	0.000	Significant simultaneously

The F-test result shows that financial literacy and digital literacy together significantly affect financial behavior ($F = 16.422$, $p < 0.05$). This finding confirms that although digital literacy alone does not significantly influence financial behavior, it still contributes when combined with financial literacy in shaping the overall financial decisions of Generation Z.

The results of this study provide insights into the relationship between financial literacy, digital literacy, and the financial behavior of Generation Z in Indonesia. The findings reveal that financial literacy significantly affects financial behavior, whereas digital literacy does not show a significant effect when tested independently. However, both variables simultaneously have a significant effect, indicating their combined importance in shaping financial behavior. The strong influence of financial literacy on financial behavior is consistent with prior studies by Lusardi and Mitchell (2014) and Potrich et al. (2016), which highlight that knowledge, skills, and attitudes regarding financial management are central to responsible financial practices. Respondents with higher financial literacy are more capable of controlling consumption, managing cash flow, and allocating resources for savings and investment. This finding supports the Theory of Planned Behavior (Ajzen, 1991), in which financial knowledge contributes to attitudes that guide intentional financial actions.

On the other hand, digital literacy did not demonstrate a significant effect when considered alone. This result resonates with the argument of Rahardjo et al. (2020) and Pratama (2022), who found that digital proficiency does not guarantee prudent financial decision-making. Generation Z, despite being technologically adept, may use digital tools mainly for convenience or consumption rather than for improving financial management. Without adequate financial literacy, digital platforms may even encourage impulsive purchases. This suggests that digital literacy functions more as an enabling factor than as a direct determinant of financial behavior.

Nevertheless, the simultaneous influence of financial literacy and digital literacy highlights their complementary nature. When combined, digital literacy allows individuals to apply their financial knowledge more effectively through secure and efficient digital platforms. This aligns with Jariwala and Sharma (2021), who emphasized the necessity of integrating financial and digital literacy in the fintech era. For instance, individuals who are financially literate can maximize the benefits of mobile banking and investment apps only when they also possess adequate digital literacy to use these platforms safely.

CONCLUSION

This study examined the influence of financial literacy and digital literacy on the financial behavior of Generation Z in Indonesia. The results demonstrate that financial literacy has a significant positive effect on financial behavior, while digital literacy alone does not have a significant impact. However, when considered simultaneously, both financial literacy and digital literacy significantly affect financial behavior, with financial literacy emerging as the more dominant factor. From a theoretical perspective, these findings reinforce the Theory of Planned Behavior by confirming that knowledge-based attitudes—in this case, financial literacy—are strong determinants of intentional financial actions. The role of digital literacy, while not significant independently, functions as a complementary factor that enables the practical application of financial knowledge in a digital environment.

From a practical perspective, the results emphasize the need for targeted financial education programs that address Generation Z's unique context. Policymakers and educational institutions should strengthen financial literacy through formal curricula, workshops, and campaigns, while simultaneously promoting digital literacy to ensure secure and efficient use of financial technologies. Financial service providers should also design digital platforms that not only simplify transactions but also promote responsible financial management, saving, and investment. Overall, improving financial literacy supported by digital literacy integration is essential to foster sustainable financial well-being among Indonesia's Generation Z. Future research is recommended to expand the sample size, include different age groups or regional contexts, and incorporate additional variables such as financial attitudes, peer influence, or financial technology adoption to provide a more comprehensive understanding of financial behavior.

ETHICAL CONSIDERATIONS

The authors declare that the use of AI-based tools (ChatGPT, OpenAI) in this study was limited to language editing and manuscript refinement. All research processes—including research design, data collection, statistical analysis, and interpretation of results—were fully conducted by the authors. The responsibility for the accuracy and integrity of the findings lies solely with the authors.

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