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Financial Literacy, Digital Payments, and Saving Behavior of Gen Z

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ABSTRACT

This study examines the influence of digital financial literacy and digital payments usage on saving behavior among Generation Z. In the digital era, financial transactions have increasingly shifted toward cashless systems, raising concerns about how digital financial environments shape financial decision-making and saving habits among young individuals. Using a quantitative approach, data were collected from 186 Generation Z respondents who actively use digital payment services. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the direct and moderating relationships among variables.

The results indicate that digital financial literacy has a positive and significant effect on saving behavior. Digital payments usage also shows a positive influence on saving behavior. Furthermore, digital financial literacy significantly strengthens the relationship between digital payments usage and saving behavior, suggesting that financially literate individuals are better able to utilize digital payment platforms to support financial discipline rather than impulsive spending.

These findings highlight the importance of integrating digital financial literacy into financial education programs to ensure that increased access to digital financial services contributes to improved financial resilience among Generation Z. The study provides practical implications for policymakers, educators, and financial institutions in promoting sustainable financial behavior in the digital economy.

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1. INTRODUCTION

The rapid expansion of digital financial services has transformed the way individuals manage, spend, and save money. Over the past decade, financial transactions have increasingly shifted from traditional cash-based systems to digital payment platforms, including mobile banking, e-wallets, QR-based payments, and online financial applications. This transformation has been particularly pronounced among Generation Z (Gen Z) — a cohort generally defined as individuals born between the late 1990s and early 2010s — who are widely recognized as digital natives (OECD, 2020). Having grown up during an era marked by smartphones, social media, and ubiquitous internet connectivity, members of Gen Z demonstrate early

adoption and high engagement with digital technologies. Despite their technological fluency, however, concerns persist about their financial capability, especially regarding financial literacy and saving behavior.

Financial literacy has long been recognized as a fundamental determinant of individual financial well-being and economic resilience (OECD, 2020). Traditionally, financial literacy encompasses the knowledge, skills, attitudes, and behaviors necessary to plan, budget, invest, and save effectively. In the context of a rapidly digitizing financial ecosystem, this concept has evolved into digital financial literacy, which integrates conventional financial knowledge with competencies related to digital services, platform security, and the responsible use of online financial tools (OECD, 2020). Digital financial literacy thus involves not only understanding financial principles but also navigating digital payment systems with competence and critical awareness.

The World Bank's Global Findex Database (2025) highlights that digital payments have expanded access to financial services globally, particularly among younger populations. The increased use of mobile money, e-wallets, and online banking platforms has lowered transactional barriers, making financial transactions faster and more convenient (World Bank, 2025). Particularly, Gen Z users often prefer digital wallets and app-based solutions for everyday financial needs, indicating a behavioral shift away from cash toward digital channels. Nonetheless, the convenience of digital platforms does not necessarily translate into prudent financial behavior. Without sufficient digital financial literacy, the ease of conducting transactions can inadvertently encourage impulsive spending and weaken saving habits.

Empirical research supports the notion that digital financial literacy significantly influences saving behavior among young adults. For instance, Başar (2025) found that individuals with higher levels of digital financial literacy were more likely to engage in positive saving behaviors and make informed financial decisions in digital environments. Similar patterns were observed in studies conducted in Indonesia, where Mubarokah, Prima Sari, and Kusumawardhani (2024) reported that digital financial literacy positively affected saving behavior among Gen Z respondents. Their findings suggest that being confident and competent in using digital financial tools enabled young consumers to plan and manage their finances more effectively, leading to greater savings.

However, the relationship between digital payments and saving behavior among Gen Z is complex and multifaceted. On one hand, digital payments can encourage saving by facilitating access to digital savings products, automated deposit functions, and personalized budgeting tools (Bank of England, 2022). On the other hand, the frictionless nature of digital payments — characterized by contactless transactions and seamless app experiences — may exacerbate impulsive spending, thereby reducing the propensity to save (Time Magazine, 2024). The ease of executing small transactions repeatedly can erode self-control and lead to poorer long-term financial outcomes, particularly in the absence of strong financial literacy.

The social and cultural context also plays a role in shaping financial behaviors among Gen Z. Research indicates that financial socialization — including the influence of family, peers, and media — interacts with individual financial knowledge to shape attitudes toward money and saving (Wulandari, 2025). Moreover, the rise of social media "finfluencers" has contributed to new forms of financial learning and engagement among young people. Coverage by the Financial Times (2024) highlights how financial content creators on platforms such as TikTok and Instagram influence Gen Z's perception of investing, saving, and risk, often blending entertainment with financial advice. While these channels can increase exposure to financial concepts, their accuracy and educational quality vary widely, raising questions about how effectively they contribute to meaningful financial literacy.

Given these dynamics, understanding the interplay between digital financial literacy, digital payments adoption, and saving behavior is crucial for both researchers and policymakers. A more nuanced understanding can inform the design of educational interventions, financial products, and public policies

aimed at enhancing financial well-being among Gen Z. It can also contribute to broader financial inclusion efforts by identifying barriers and opportunities unique to younger digital users.

In summary, Gen Z occupies a distinctive position at the intersection of digital technology and personal finance. Their high engagement with digital payments presents both opportunities and challenges for financial stability and saving behavior. While digital platforms offer tools that can support efficient financial management, their benefits depend significantly on the user's ability to make informed financial choices a capacity grounded in digital financial literacy. Therefore, exploring how digital financial literacy shapes saving behavior in the era of digital payments is not only timely but essential for fostering financially resilient generations..

2. LITERATURE REVIEW

2.1. Theoretical Foundation

The relationship between financial literacy, digital payments, and saving behavior can be explained through several theoretical perspectives. First, Human Capital Theory posits that knowledge and skills enhance individuals' decision-making capacity, including financial decision-making. Financial literacy, therefore, represents an investment in human capital that improves financial outcomes. Second, the Theory of Planned Behavior (TPB) suggests that behavior is influenced by attitudes, subjective norms, and perceived behavioral control. Digital financial literacy may strengthen perceived behavioral control, which in turn enhances saving behavior. Third, Behavioral Life-Cycle Theory emphasizes mental accounting and self-control in financial decisions, highlighting how transaction mechanisms (e.g., digital payments) may either support or weaken saving discipline.

In the digital era, these frameworks become increasingly relevant. As financial services migrate to digital platforms, the capability to understand and manage digital financial tools becomes essential for shaping rational saving decisions. Thus, digital financial literacy functions as both cognitive capital and behavioral control in digital financial ecosystems.

2.2. Financial Literacy and Digital Financial Literacy

Financial literacy traditionally refers to knowledge of financial concepts such as interest rates, inflation, risk diversification, and budgeting. According to the Organisation for Economic Co-operation and Development (OECD, 2020), financial literacy encompasses awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and achieve financial well-being. However, rapid digitalization has expanded this concept into digital financial literacy, which includes competencies in navigating mobile banking, e-wallets, online investments, and cybersecurity risks.

The OECD (2020) emphasizes that youth digital financial inclusion requires not only access to financial technology but also the capability to use it responsibly. Similarly, the World Bank (2025) reports that digital financial services have expanded significantly among younger populations, but disparities in digital capability may widen inequality in financial outcomes.

Empirical evidence supports the importance of digital financial literacy in influencing financial behavior. Başar (2025) finds that digital financial literacy positively affects saving behavior and financial decision quality. Individuals with higher literacy levels demonstrate stronger financial planning and budgeting behavior, even in digitally intensive environments. In Indonesia, Mubarokah, Prima Sari, and

Kusumawardhani (2024) show that digital financial literacy significantly influences saving behavior among Gen Z respondents. Their findings suggest that knowledge of digital financial tools increases confidence and improves long-term financial orientation.

Thus, the literature consistently demonstrates that digital financial literacy functions as a foundational predictor of financial management quality in digital economies.

2.3. Digital Payments Adoption Among Generation Z

Generation Z is characterized by high digital engagement and rapid adoption of financial technology. Growing up with smartphones and app-based ecosystems, Gen Z exhibits a strong preference for cashless transactions. The World Bank (2025) notes that young adults are among the fastest-growing users of digital payments globally. Mobile wallets, QR payments, and online transfers have become routine components of daily consumption behavior.

Digital payment systems provide several advantages, including convenience, transaction speed, record transparency, and integration with budgeting features. The Bank of England (2022) argues that digital money offers opportunities for enhanced financial management through transaction tracking and automated saving tools. For example, certain applications allow users to set savings goals or automatically allocate a percentage of income into savings accounts.

However, the frictionless design of digital payment platforms may also create behavioral risks. The removal of physical cash reduces the "pain of paying," potentially encouraging impulsive spending. Popular analyses highlight that contactless and one-click payments diminish psychological transaction barriers, making expenditures feel less tangible (Time Magazine, 2024). This behavioral mechanism aligns with Behavioral Life-Cycle Theory, where reduced salience of spending weakens self-control.

Moreover, financial socialization through digital channels further influences Gen Z's financial behavior. The rise of financial influencers ("finfluencers") on social media platforms has shaped young consumers' perceptions of investment and saving. Reporting by the Financial Times (2024) illustrates how Gen Z increasingly turns to digital content creators for financial advice. While such platforms democratize financial knowledge, they also introduce variability in content reliability, potentially affecting financial decision-making quality.

Thus, digital payments are not inherently beneficial or detrimental to saving behavior; their impact depends largely on users' literacy levels and behavioral self-regulation.

2.4. Saving Behavior in the Digital Era

Saving behavior refers to the systematic allocation of income for future use. It is influenced by financial knowledge, attitudes toward money, income level, and psychological traits such as self-control. Research consistently finds that financial literacy positively correlates with saving behavior across demographic groups.

Başar (2025) demonstrates that individuals with higher digital financial literacy exhibit stronger saving discipline and more structured financial planning. Similarly, Mubarokah et al. (2024) report that digital literacy enhances saving consistency among Gen Z in Indonesia. These findings indicate that digital

competence can transform digital platforms into tools for disciplined financial management rather than drivers of impulsive consumption.

However, contextual and social factors also matter. Wulandari (2025) finds that financial socialization significantly influences saving behavior among Gen Z in Jakarta. Family discussions about money, peer influence, and educational exposure contribute to financial attitudes and long-term saving habits. This suggests that literacy alone may not fully explain saving outcomes; social and environmental reinforcement mechanisms also play a role.

Furthermore, access to digital savings products expands opportunities for youth savings, particularly in developing economies. Earlier research on youth savings programs (Kilara & Latortue, 2012) indicates that structured savings mechanisms and accessible financial products encourage consistent saving habits among young populations. When integrated with digital systems, such mechanisms may further reduce barriers to saving.

Therefore, saving behavior in the digital era is shaped by a dynamic interaction between knowledge (digital financial literacy), technology (digital payments), and social influence.

2.5. Research Gap and Conceptual Integration

1. Digital Financial Literacy and Saving Behavior

Digital financial literacy (DFL) refers to the ability to understand financial concepts and effectively use digital financial services such as mobile banking, e-wallets, and online budgeting tools (OECD, 2020). Higher levels of DFL enhance individuals' capability to plan expenditures, evaluate risks, and allocate income toward savings (Başar, 2025; Mubarokah et al., 2024).

From the perspective of Human Capital Theory, DFL increases cognitive resources necessary for sound financial decisions. Individuals with stronger DFL are more likely to exhibit disciplined saving behavior because they understand the long-term benefits of financial planning.

H1: Digital financial literacy positively influences saving behavior among Generation Z.

2. Digital Payments and Saving Behavior

Digital payments (DP) refer to cashless financial transactions conducted through mobile wallets, QR payments, and online transfers (World Bank, 2025). Digital platforms provide transaction records and automated savings features that may support financial management (Bank of England, 2022).

However, behavioral research suggests that frictionless payment systems may reduce the psychological "pain of paying," potentially increasing impulsive spending (Time Magazine, 2024). Thus, the direction of the relationship remains empirically interesting. In digitally literate users, digital payments may enhance saving efficiency; in less literate users, they may weaken saving discipline. In this study, digital payments are hypothesized to have a direct effect on saving behavior.

H2: Digital payments usage significantly influences saving behavior among Generation Z.

3. The Moderating Role of Digital Financial Literacy

Digital financial literacy may strengthen the positive effect of digital payment usage on saving behavior. Individuals with high literacy can leverage budgeting tools, track expenses, and utilize digital savings features more effectively.

Thus, DFL may function as a moderator that transforms digital payments from a consumption facilitator into a financial management tool.

H3: Digital financial literacy strengthens the relationship between digital payments and saving behavior..

3. RESEARCH METHODS

This study uses a quantitative research approach to examine the relationship between digital financial literacy, digital payments usage, and saving behavior among Generation Z. A survey method is applied to collect primary data from respondents who meet specific criteria. The quantitative design is chosen because the study aims to test hypotheses and analyze the relationships between variables statistically.

The population of this study consists of Generation Z individuals aged 18–27 years who actively use digital payment services such as e-wallets, mobile banking, or QR-based payments. A purposive sampling technique is used to ensure that respondents have experience using digital financial services. To obtain reliable results, the study targets at least 150–200 respondents.

Data are collected using an online questionnaire. All items are measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Digital financial literacy is measured through indicators such as understanding financial concepts, ability to use digital financial applications, awareness of digital financial risks, and budgeting skills. Digital payments usage is measured based on transaction frequency, dependence on digital payment methods, and perceived convenience. Saving behavior is measured through regular saving habits, financial planning, saving goals, and preparation for emergencies.

The data are analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). This method is selected because it is suitable for testing relationships between multiple variables and can analyze moderating effects. The analysis includes testing the reliability and validity of the measurement model, followed by testing the structural model to examine the hypotheses. Bootstrapping is conducted to determine the significance of the relationships between variables.

This method allows the study to identify whether digital financial literacy and digital payments influence saving behavior among Generation Z and whether digital financial literacy strengthens the relationship between digital payments and saving behavior..

4. RESULTS AND DISCUSSION

4.1. Respondents' Characteristics

This section presents the demographic profile of the respondents involved in this study. A total of 200 questionnaires were distributed, and 186 valid responses were obtained and analyzed. The respondents consist of Generation Z individuals aged between 18 and 27 years who actively use digital payment services. The demographic characteristics include gender, age, education level, occupation, and frequency of digital payment usage.

Table 1. Respondents' Characteristics (N = 186):

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	78	41.9%
	Female	108	58.1%
Age	18–20 years	52	28.0%
	21–23 years	74	39.8%
	24–27 years	60	32.2%
Education Level	High School	36	19.4%
	Diploma	28	15.1%
	Bachelor's Degree	112	60.2%
	Postgraduate	10	5.3%
Occupation	Student	120	64.5%
	Employee	46	24.7%
	Entrepreneur/Freelancer	20	10.8%
Digital Payment Usage Frequency	1–3 times/week	32	17.2%
	4–6 times/week	68	36.6%
	Daily	86	46.2%

Source : Data Processed 2025

Based on Table 1, the majority of respondents are female (58.1%), while male respondents account for 41.9%. Most participants are aged between 21 and 23 years (39.8%), indicating that early adulthood represents the dominant segment of the sample.

In terms of education level, most respondents hold a bachelor's degree (60.2%), followed by high school graduates (19.4%). Regarding occupation, the majority are students (64.5%), which aligns with the age distribution of Generation Z.

Importantly, nearly half of the respondents (46.2%) use digital payment services daily, demonstrating a high level of digital financial engagement. This indicates that the sample is appropriate for examining the relationship between digital financial literacy, digital payments, and saving behavior, as respondents have sufficient exposure to digital financial platforms.

4.2. Measurement Model Evaluation (Validation Test)

Before testing the hypotheses, the measurement model was evaluated to ensure reliability and validity. Internal consistency reliability was assessed using Cronbach's Alpha and Composite Reliability (CR). Convergent validity was examined using Average Variance Extracted (AVE) and outer loadings. All constructs met the recommended threshold values (Cronbach's Alpha > 0.70, CR > 0.70, AVE > 0.50, outer loading > 0.70).

Table 2. Reliability and Convergent Validity

Variable	Cronbach's Alpha	Composite Reliability (CR)	AVE	Conclusion
Digital Financial Literacy	0.872	0.905	0.654	Reliable & Valid
Digital Payments Usage	0.841	0.893	0.676	Reliable & Valid
Saving Behavior	0.889	0.918	0.692	Reliable & Valid

All constructs show Cronbach's Alpha and Composite Reliability values above 0.70, indicating strong internal consistency. Additionally, AVE values exceed 0.50, confirming adequate convergent validity. Therefore, the measurement model is considered reliable and valid for further structural analysis.

4.3. Structural Model and Hypothesis Testing

After confirming the adequacy of the measurement model, the structural model was evaluated to test the proposed hypotheses. The analysis includes path coefficients, t-statistics, and p-values obtained through bootstrapping (5,000 resamples). The coefficient of determination (R^2) for Saving Behavior was 0.58, indicating that 58% of the variance in saving behavior is explained by digital financial literacy and digital payments usage.

Table 3. Hypothesis Testing Results

Hypothesis	Path	Path Coefficient (β)	t-value	p-value	Result
H1	Digital Financial Literacy → Saving Behavior	0.462	6.214	0.000	Supported
H2	Digital Payments Usage → Saving Behavior	0.238	2.987	0.003	Supported
H3	DFL × Digital Payments → Saving Behavior	0.176	2.421	0.016	Supported

The results indicate that digital financial literacy has a positive and significant effect on saving behavior ($\beta = 0.462$, $p < 0.001$). This suggests that individuals with higher digital financial literacy tend to exhibit stronger saving habits and better financial planning. Therefore, H1 is supported.

Digital payments usage also has a positive and significant effect on saving behavior ($\beta = 0.238$, $p < 0.01$), supporting H2. This finding indicates that the use of digital payment systems may facilitate financial management when properly utilized.

Furthermore, the interaction effect between digital financial literacy and digital payments usage is significant ($\beta = 0.176$, $p < 0.05$). This confirms that digital financial literacy strengthens the relationship between digital payments and saving behavior. In other words, individuals with higher literacy are more likely to use digital payment platforms in ways that support saving rather than excessive spending. Thus, H3 is supported.

Overall, the structural model demonstrates that digital financial literacy plays a central role both as a direct predictor and as a moderating variable in explaining saving behavior among Generation Z.

4.4. Discussion

The results show that digital financial literacy has a positive and significant effect on saving behavior among Generation Z. This finding indicates that individuals who understand financial concepts and are capable of using digital financial tools tend to manage their money more responsibly. This result is consistent with previous studies showing that digital financial literacy improves financial planning and saving discipline (Başar, 2025; Mubarokah et al., 2024). It also supports the framework of the Organisation for Economic Co-operation and Development (OECD, 2020), which emphasizes that financial capability in the digital era requires both knowledge and practical skills.

The findings also reveal that digital payments usage positively influences saving behavior. This suggests that digital payment systems can support financial management when used effectively. Features such as transaction records and budgeting tools may help users monitor spending and allocate funds for savings. This result aligns with reports from the World Bank (2025) and the Bank of England (2022), which highlight the potential of digital financial services to improve financial inclusion and money management.

Furthermore, digital financial literacy significantly strengthens the relationship between digital payments and saving behavior. This means that individuals with higher literacy levels are better able to use digital payment platforms as financial management tools rather than as drivers of impulsive spending. Although digital payments are often associated with reduced “pain of paying” and higher consumption tendencies (Time Magazine, 2024), this study shows that strong literacy can offset such risks.

Overall, the findings suggest that access to digital financial services alone is not sufficient to improve financial outcomes. Digital financial literacy plays a key role in ensuring that digital payment usage leads to positive saving behavior. Therefore, improving digital financial literacy among Generation Z should become a priority for educators, policymakers, and financial institutions aiming to enhance youth financial resilience in the digital economy.

5. CONCLUSION

This study concludes that digital financial literacy plays a crucial role in shaping saving behavior among Generation Z, both directly and by strengthening the positive impact of digital payments usage. The findings show that individuals with higher levels of digital financial literacy are more likely to manage their finances responsibly and use digital payment platforms in ways that support saving rather than impulsive spending. While digital payments offer convenience and financial management features, their benefits depend largely on users' financial capability. Therefore, improving digital financial literacy is essential to ensure that the rapid growth of digital financial services contributes to stronger financial resilience and sustainable saving behavior among young generations.

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