

Financial Literacy and Digital Financial Behavior among Generation Z: An Empirical Investigation of Social Media Influence, Investment Patterns, and Credit Management.

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Abstract:

Generation Z are the first digitally native generation, radically changing the way financial education is accessed and used. It is imperative that the distinct interaction with digital domains and financial decision-making among this generation be thoroughly explored. This research analyses the interaction between social media-based financial learning, levels of financial literacy, and ensuing financial habits among Generation Z, specifically with reference to investment trends, credit information, and prudent use of money. A cross-sectional survey design was used with 100 Generation Z members aged 18-28 years. Statistical tests used were Chi-Square tests, Spearman correlation, Mann-Whitney U test, independent samples t-test, and Kruskal-Wallis test to analyse relationships between variables. The research indicated strong positive correlations between financial literacy and awareness of credit scores higher levels of financial literacy significantly correlated with investment behaviour. Social media use to acquire financial knowledge had only marginal correlation with investment experience, with trend-based measures to indicate significance. To the surprise of many, formal financial education had no significant effect on financial literacy levels, and no significant correlation with ethical usage of credit cards. The evidence indicates that Generation Z's development of financial literacy works through non-conventional channels, with social media and independent learning being pivotal. The gap between formal education and real-world financial literacy points to the necessity for new educational methods suited to digital natives.

Keywords: Financial literacy, Generation Z, social media, investment behaviour, credit awareness.

Introduction:

With fresh companies entering the market and established ones seeing robust expansion, India's financial sector is diverse and rapidly growing. Commercial banks, insurance companies, non-banking financial institutions, co-ops, pension funds, mutual funds, and other somewhat modest financial entities make up the industry. The banking authority has recently approved the creation of new entities such payment banks so as to diversify the players in the sector. In India, on the other hand, the financial sector is mainly a banking industry with commercial banks controlling almost 64% of all assets in the financial system. Financial literacy among individuals is extremely important to boost Indian economic growth as well as for their personal financial management. Financial literacy basically means the ability to take correct financial decisions to ensure stable and secure future. It includes awareness and application of basic financial concepts such as savings, budgeting, investment, inflation, interest etc. However, India faces a significant financial literacy gap, which makes them vulnerable to unsound financial decisions resulting in debt traps and limited upward mobility.

India's young population popularly known as Generation Z are often regarded as the most asset to drive economic growth of our country. As per NCFE reports, only 27% of Indian adults are financially literate. In today's dynamic and complex environment, technology plays a very important role. With rising smartphone penetration rates, today young generations rely heavily on technology driven apps and financial solutions available on social media. Algorithms now direct 79% of these users toward tailored financial content, with platforms like TikTok playing a key role—62% of Gen Z consider it a valuable source of financial knowledge. Beyond social interaction, these platforms have become active environments for financial education where interesting, small material simplifies

and democratizes difficult economic ideas. In the past four decades financial literacy rates have been on the decline. Out of all new generations, it is found that Gen-Z has the lowest financial literacy rates, parents and family has been the primary source for financial advice for 84% of Generation -Z. There is a strong association with technology, social media and digital financial services which have created both challenges and opportunities in developing financial literacy. This study focuses on assessing the level of financial literacy among Generation Z individuals and to evaluate the impact of digital financial behaviour among them.

Literature Review

Theoretical Foundations of Behavioural and Technology Models

Theory of Planned Behaviour

The Theory of Planned Behaviour proposes that human behaviour is guided by three types of beliefs: attitudes toward the behaviour, subjective norms, and perceived behavioural control. These beliefs influence behavioural intention, which then helps to predict actual behaviour (5).

Technology Acceptance Model (TAM)

The TAM is used to determine adoption of new technologies by the users. It incorporates two factors: perceived usefulness and perceived ease of use to assess the adaptability of new technologies. Attitudes toward technology use are influenced by these factors, which subsequently affect behavioural intention and actual usage. Collectively, these models provide a conceptual framework for understanding the link between financial literacy, digital adoption and investment behaviours.

Shan, Cheah, and Leong (2023) conducted a comprehensive bibliometric and content analysis to explore the state of financial education and literacy among Generation Z in China. Their study revealed that many Gen Z individuals still lack sufficient financial knowledge ,despite of increasing awareness about the importance of financial literacy. The researchers highlighted a mismatch between traditional financial education methods and the digital learning preferences of this demographic. They highlighted that to engage Generation Z effectively, there is a need for innovative, technology-driven financial education programs that uses digital platforms and social media. This suggests an increasing need for financial education strategies that are designed to the unique digital behaviors and preferences of younger generations. [7].

Ravikumar et al. (2022) investigated the core determinants of Digital Financial Literacy in India among adult users of Digital Financial Services in India. A sample of 384 adult DFS users from India was surveyed and a multidimensional scale was created and validated by the study. It was concluded that DFL is a prerequisite to use DFS effectively, else the users will face various challenges such as financial losses and privacy breaches.

Bhat, Lone, and SivaKumar (2024) examined the impact of digital financial literacy (DFL) on the financial well-being (FWB). The research sought to investigate the elements of self-control and impulsivity among Andhra Pradesh students. Through purposive sampling, 475 college students were surveyed. The results showed a drastically negative effect of digital financial experience (DFE), digital financial skills (DFS), and digital financial knowledge (DFK) on impulsivity while exhibiting a very positive impact on self-control. Further it was discovered that impulsive behaviour damages financial well-being, but self-control has positive consequences. Among students, long-term financial planning has no importance was said. Furthermore, the research reveals that financial well-being is negatively impacted by impulsiveness whereas self-control has a good influence. Concentrating on higher education institutions in Andhra Pradesh, the study draws attention to how little attention students pay to long-term financial planning.

Kowalski, T., & Śmiech, S. (2024) research examined the investing habits of Generation Z students, paying attention to their tastes for different forms of investment as well as their readiness to participate in green investing. Based on their possible investment behaviour, respondents were divided. Statistical inference with a 95% accuracy is used to evaluate the proportions of groups, therefore allowing us to suggest the technique of deriving confidence intervals for each group estimation and hence making estimates both trustworthy and accessible as statistical calculations.

. The research revealed that studying students are very logical and eager to help to green the world; nonetheless, they are still reluctant to apply their theoretical knowledge and are more likely to offer theoretical support for green investments than to really invest.

Djashan, I. A., Gan, C., & Hu, B. (2024). This work looks at how social media is used for investing advice and financial happiness among generations. Based on data from the 2021 National Financial Capability Study and arranged logit models in Stata, indicate that, in general, baby boomers are more financially content than millennials and Generation X.

Comparing social media usage on a platform-by-platform basis, YouTube users report reduced degrees of financial happiness whereas Instagram and TikTok users report greater degrees—albeit the overall effect is not statistically significant. Millennials become more content with their financial circumstances when they use social media for investment advice. Furthermore, platform effects differ across generations; Twitter, Instagram, and TikTok show a favorable connection between happiness and Gen X, millennials, and Gen Z. The study finds that social media might affect financial well-being and offers financial experts and lawmakers useful data for implementing particular tactics.

CFA Institute Research & Policy Center. (2023) : Among Generation Z in the U.S., there is a noticeable link between gambling and high-risk investing. A survey shows that 61% of Gen Z investors also engage in gambling, compared to just 29% of non-investors. This gambling tendency aligns with riskier investment choices—70% of Gen Z investors who gamble frequently invest in cryptocurrency, and 38% invest in NFTs. For Gen Z individuals aged 18–25 who have not yet started investing, major barriers include limited income and high expenses, along with a lack of financial knowledge. Notably, 42% of non-investors have received no formal financial education, compared to only 23% of those who do invest. [12].

Research Methodology:

Research Design:

A cross-sectional survey design has been employed to determine the relationships between variables determining financial literacy levels and financial behaviours among Generation Z.

Participants: Recruiting from colleges and online sites via convenience sampling, the study sample comprised 100 Generation Z participants between 18 and 28 years old. The age range was chosen to include people who often start their careers and make personal financial decisions. Participants had to live in the area under investigation and have access to social networking sites.

Instruments: Financial literacy in this study was evaluated employing a twin approach. Respondents were initially asked if they were conversant with fundamental financial ideas—namely savings, interest, inflation, debt management, emergency funds, and investments—each rated as a binary (Yes/No) variable. Second, participants were instructed to self-rate their general financial knowledge. To obtain a composite financial literacy level for each respondent, the mean of the self-rated score and the binary concept comprehension score was calculated, therefore presenting a more all-inclusive metric combining subjective and objective financial understanding.

Statistical Analysis: Data were analysed using SPSS software.

Objectives:

1. To assess the overall financial literacy levels among generation Z individuals.
2. To examine the relationship between social media usage for financial knowledge and investment behaviour.
3. To determine the association between financial literacy and awareness of credit scores.
4. To evaluate the influence of financial literacy on responsible credit card usage.
5. To determine the relationship between levels of financial literacy and the individual's engagement in investment-related activities.

6. To identify the most common sources of financial knowledge among respondents.

Hypothesis:

H1: Individuals who frequently seek financial knowledge from social media platforms demonstrate a higher propensity to engage in investment activities compared to those who do not utilize such sources.

H2: There is a positive correlation between an individual's financial literacy level and their awareness of how a credit score impacts financial well-being.

H3: There is a significant association between financial literacy levels and responsible credit card usage behaviour.

H4: Individuals with higher levels of financial literacy are more likely to engage in investment-related activities.

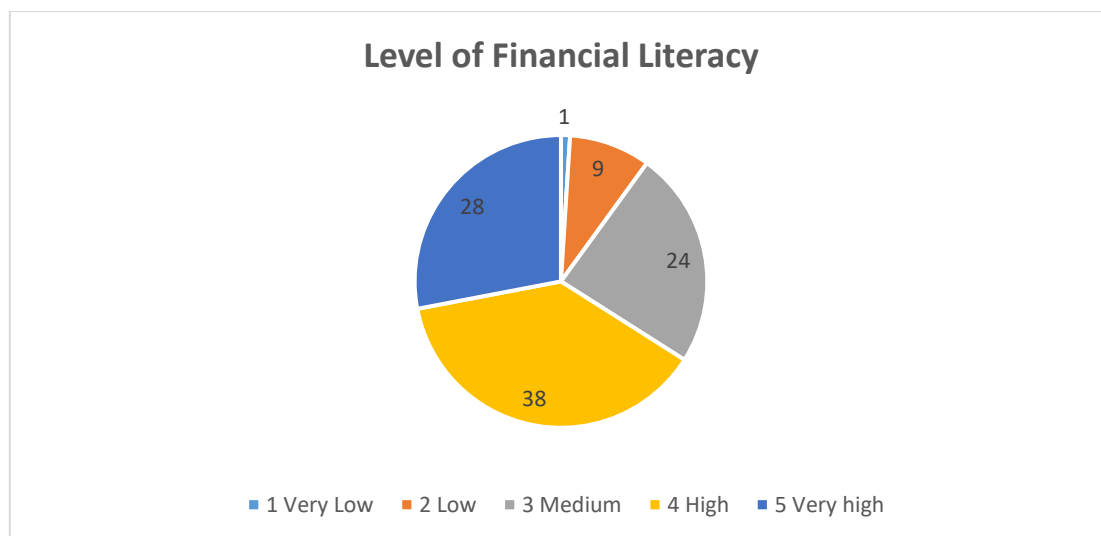
Results and Discussion:

Table 1: Demographic profile:

		Number of Respondents
Gender	Male	62
	Female	38
	Total	100
Age	18-20	36
	21-23	42
	24-26	12
	26-28	10
	Total	100
Employment status	Full-time job + student	6
	Full-time student	68
	Part-time job + student	15
	Self-employed	11
	Total	100

Table 2: Financial Literacy level

Financial Literacy Level	Category	Frequency	Percentage (%)
1	Very Low	1	1%
2	Low	9	9%
3	Medium	24	24%
4	High	38	38%
5	Very high	28	28%
Total	—	100	100%

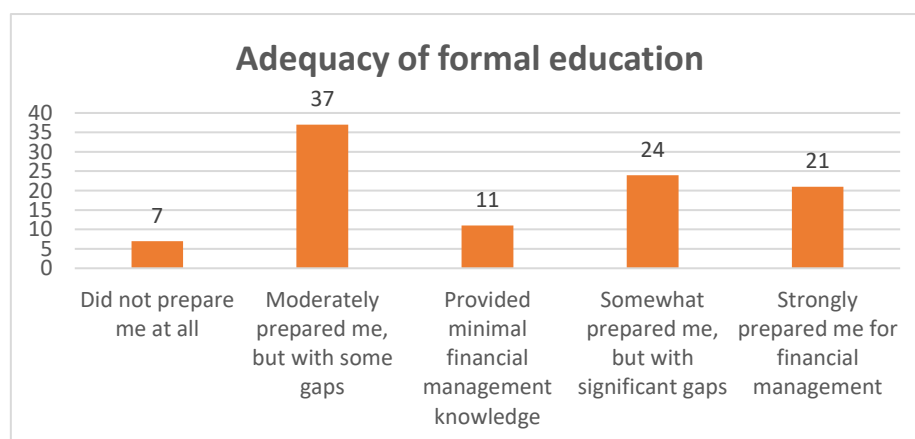


Interpretation: The sample population is adequately well informed about financial aspects as majority of them (66%) rated themselves as having high (38%) or very high (28%) financial literacy, suggesting a generally confident population while only 10% of them indicated that their understanding about financial knowledge is low or very low.

Most participants rated themselves as having high (38%) or very high (28%) financial literacy, suggesting a generally confident population. However, the presence of 10% in the low/very low categories highlights areas needing targeted support.

Table 3: Formal Education and Financial Preparedness

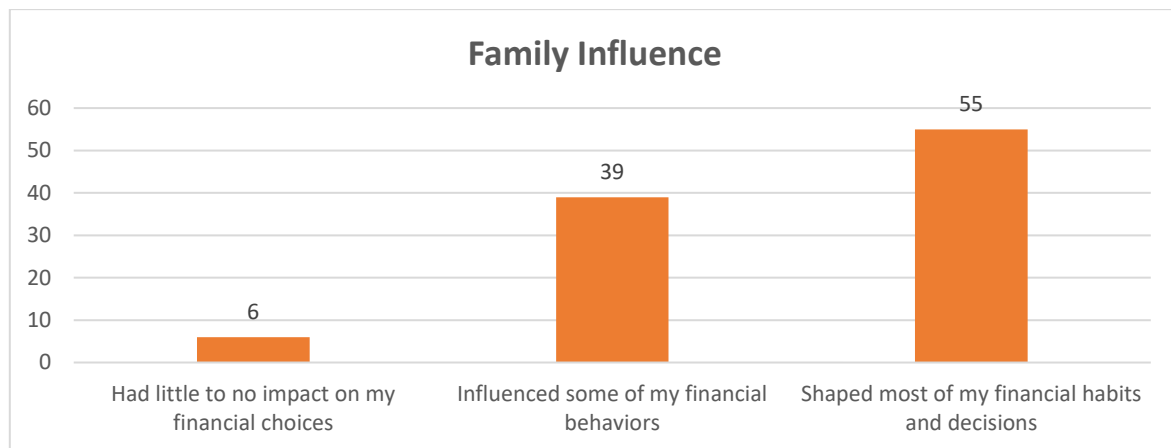
Frequencies of Do you believe that formal education has adequately prepared		
	% of Total	Cumulative %
Did not prepare me at all	07	07
Moderately prepared me, but with some gaps	37	44
Provided minimal financial management knowledge	11	55
Somewhat prepared me, but with significant gaps	24	79
Strongly prepared me for financial management	21	100



Interpretation: Around 37% of respondents feel that formal education has moderately prepared them for financial management, but with gaps, while only 21% believe they were strongly prepared for financial management. The 7% of respondents believe that there is no role of formal education in contributing their financial management skills. This indicates that formal education still lacks comprehensive financial literacy integration.

Table 4: Family Influence on Financial Behaviour

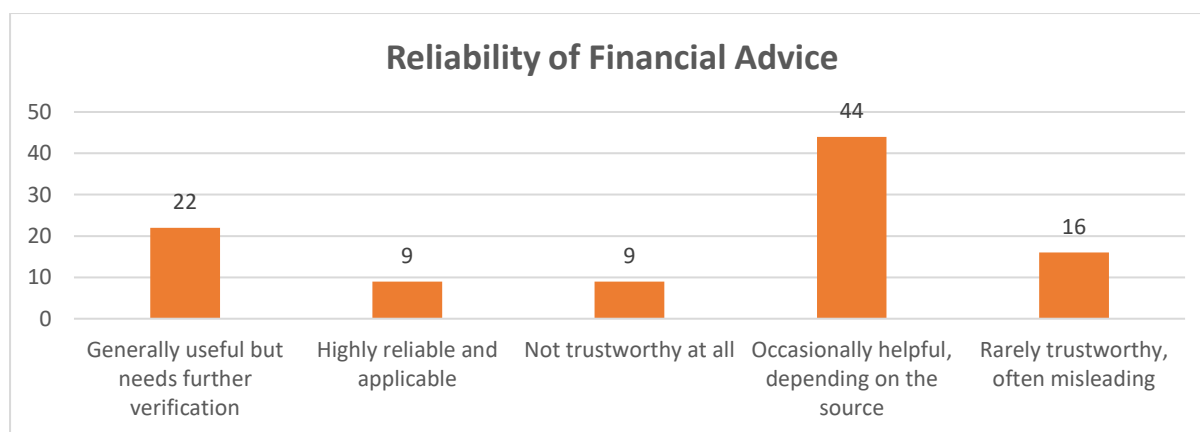
Frequencies of How has your family influenced how you handle money.		
How has your family influenced how you handle money?	% of Total	Cumulative %
Had little to no impact on my financial choices	6	6
Influenced some of my financial behaviours	39	45
Shaped most of my financial habits and decisions	55	100



Interpretation: The strong role of family upbringing in developing financial behaviour was revealed as almost 55% believe that family influence has shaped most of their financial habits and decisions, while only 6% believe that there is very little or negligible impact on their financial choices and 39% of them acknowledged some influence on their financial choices.

Table 5: Perceived Reliability of Financial Advice from Social Media Influencers

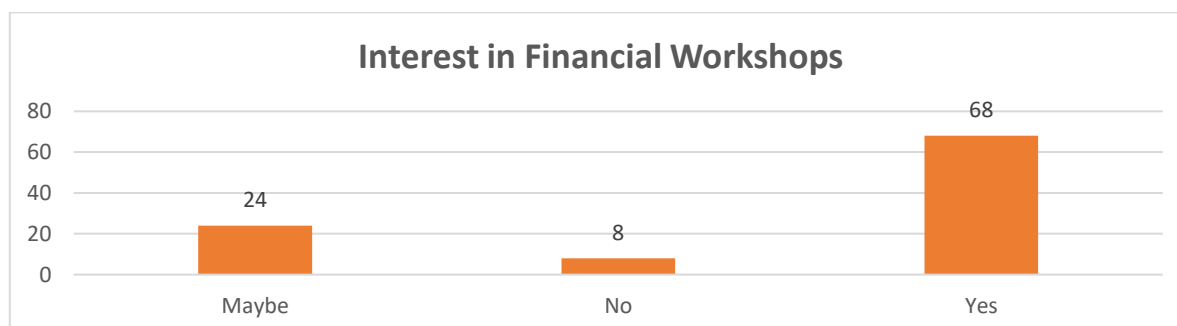
Frequencies of How reliable do you find financial advice from social media influencers.		
How reliable do you find financial advice from social media influencers?	% of Total	Cumulative %
Generally useful but needs further verification	22	22
Highly reliable and applicable	9	31
Not trustworthy at all	9	40
Occasionally helpful, depending on the source	44	84
Rarely trustworthy, often misleading	16	100



Interpretation: It was found that only 9% found financial advice as highly reliable and applicable, whereas a very large portion 44% find it occasionally helpful, while 9% of them treat such advice as not trustworthy at all.

Table 6: Interest in Financial Workshops or Online Courses

Frequencies of Would you be interested in attending workshops or online course			
Would you be interested in attending workshops or online course		% of Total	Cumulative %
Maybe		24	24
No		8	32
Yes		68	100



Interpretation: The majority of respondents (68%) showed keen interest in attending financial workshops or online courses, 8% of them showed disinterest in any financial workshops. While 24% of respondents were neutral. This reflects a strong willingness among individuals to gain their financial knowledge through structured learning methods.

Validation Of Hypothesis:

H1: Individuals who frequently seek financial knowledge from social media platforms demonstrate a higher propensity to engage in investment activities compared to those who do not utilize such sources.

Social Media Frequency * Investment			
	Investment		Total
	yes	No	

Social Media Freq	Never	10	7	17
	Occasionally	30	25	55
	Frequently	18	5	23
	Always	5	0	5
Total		63	37	100
Chi-Square Tests				
	Value	df	Asymp. Sig. (2-sided)	
Pearson Chi-Square	7.048 ^a	3	.070	
Likelihood Ratio	8.880	3	.031	
Linear-by-Linear Association	4.638	1	.031	
N of Valid Cases	100			

A Chi-Square Test of Independence was conducted to examine the association between the frequency of seeking financial knowledge from social media and investment experience. The Pearson Chi-Square result was marginally non-significant ($\chi^2 = 7.048$, $df = 3$, $p = 0.070$), indicating a weak association. However, the Likelihood Ratio ($p = 0.031$) and the Linear-by-Linear Association ($p = 0.031$) were statistically significant, suggesting a positive trend: individuals who more frequently use social media for financial knowledge are more likely to have made investments.

H1 is partially supported. While the primary test (Pearson Chi-Square) did not reach conventional significance, the trend-based statistics suggest that the hypothesis is **accepted with caution** due to supporting evidence from alternative test measures.

H2: There is a positive correlation between an individual's financial literacy level and their awareness of how a credit score impacts financial well-being.

Correlations

		Financial Literacy	Credit Score Awareness
Financial Literacy	Pearson Correlation	1	.324**
	Sig. (2-tailed)		.001
	N	100	100
Credit Score Awareness	Pearson Correlation	.324**	1
	Sig. (2-tailed)	.001	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

As per the Spearman's Rank Correlation it is found that there is a moderate positive correlation between Financial Literacy and credit score awareness. ($\rho = 0.324$, $p = 0.001$). This indicates that individuals with higher financial literacy tend to have greater awareness of their credit scores. There is a significant positive correlation between financial literacy and credit score awareness, supporting the hypothesis.

H3: Individuals with higher levels of financial literacy are more likely to engage in investment-related activities.

	Investment	N	Mean Rank	Sum of Ranks
Financial Literacy	yes	63	56.86	3582.00
	No	37	39.68	1468.00
	Total	100		

Test Statistics^a

	Financial Literacy
Mann-Whitney U	765.000
Wilcoxon W	1468.000
Z	-2.999
Asymp. Sig. (2-tailed)	.003

a. Grouping Variable: Investment

A **Mann–Whitney U test** was conducted to determine whether there is a significant difference in financial literacy levels between individuals who have made investments and those who have not. The test revealed a **statistically significant difference** between the two groups ($U = 765.000$, $Z = -2.999$, $p = 0.003$). The mean rank for participants who had made investments (**Mean Rank = 56.86**) was notably higher than for those who had not (**Mean Rank = 39.68**), indicating that individuals with greater level of financial literacy are more inclined towards investment activities.

There is a significant association between financial literacy level and investment behaviour — individuals with higher financial literacy tend to invest more.

H4: There is a significant association between financial literacy levels and responsible credit card usage behaviour.

Ranks

Credit Card Usage		N	Mean Rank
Financial Literacy	No Credit card	68	50.04
	Pay full balance monthly	23	52.59
	Pay more than minimum	6	40.75
	Pay only minimum	2	70.00
	Struggle to pay off	1	53.50
	Total	100	

Test Statistics^{a,b}

	Financial Literacy
Chi-Square	1.902
df	4
Asymp. Sig.	.754

a. Kruskal Wallis Test

b. Grouping Variable: Credit Card Usage

Financial literacy levels were assessed using a **Kruskal–Wallis H test** to see if they vary considerably across several credit card usage patterns. The test yielded a non-significant result ($\chi^2(4) = 1.902$, $p = 0.754$), indicating that there is no statistically significant difference in financial literacy scores among the five credit card usage groups.

Financial literacy mean rankings were somewhat consistent among groups; there was no obvious trend. Although the "Pay only minimum" group had a better rank (mean rank = 70.00), the group size was too little ($N = 2$) to come to significant conclusions.

According to the sample data, financial literacy degree has no notable relationship to credit card consumption behaviour.aviour based on the sample data.

Key Findings:

Demographic Profile and Financial Literacy Distribution

Out of 100 people, 62% were male and 38% female. The age distribution revealed 78% in the 18–23 age bracket, and 68% of the respondents were full-time students, indicating most young learners. The composite financial literacy score was computed using the two measures: self-assessment and understanding of basic financial concepts. It was found majority of the sample population were well informed and financially literate. Majority of them showed high or very high literacy ratings(66%) while only 10% portrayed low or very low literacy scores.

Social and educational effects on financial conduct

The study found serious shortcomings in the effectiveness of formal financial education programs. Whereas 44% of respondents stated they had some training but with flaws, formal education only provided 21% of their financial management with the right level of preparation. This finding stresses how inadequate our present educational systems are in promoting total financial literacy. Conversely, 55% of those polled said their family had a major impact on their financial decisions and actions; 39% admitted their family had some influence; hence family influence was shown to be a major factor. This suggests that informal learning environments may more shape financial behaviour growth than traditional education programs.

Seeking Financial Information and Social Media

Regarding how people view social media as a financial information source, it was found that only 9% found financial advice as highly reliable and applicable, whereas a very large portion 44% find it occasionally helpful, 16% of them found it seldomly trustworthy ,while 9% of them treat such advice as not trustworthy at all. Sixty-eight percent of respondents indicated great interest in enrolling in online courses or organized financial workshops notwithstanding these wide variances.

Hypothesis Testing Results

H1: The association between frequent use of social media for financial knowledge and investment activity was partially supported. Though the Pearson Chi-Square was marginally non-significant ($p = 0.070$), the Likelihood

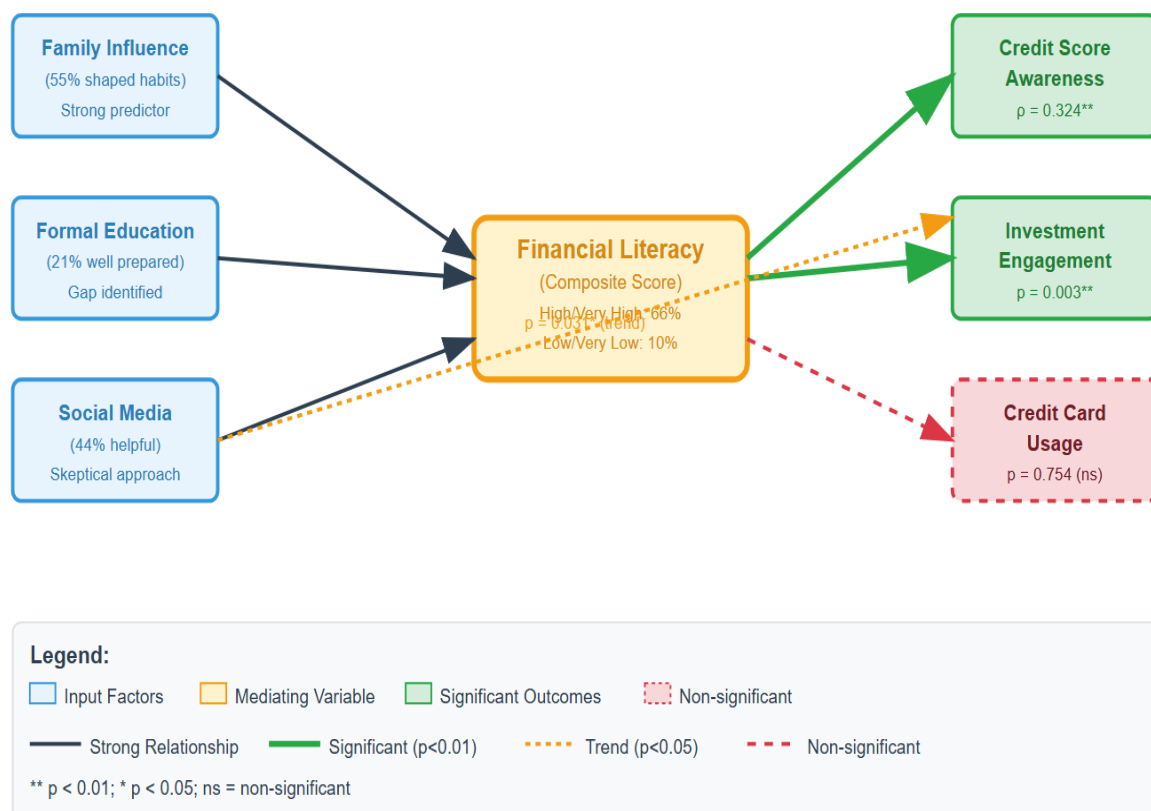
Ratio and Linear-by-Linear Association were significant ($p = 0.031$), suggesting a trend toward greater investment engagement among social media users.

H2: Supported. It was confirmed that individuals with greater financial literacy are more aware of credit score implications (significant positive correlation ($\rho = 0.324$, $p = 0.001$))

H3: Strongly supported. It is found that higher financial literacy is associated with greater investment behaviour as the Mann–Whitney U test showed a significant difference ($p = 0.003$) in financial literacy between investors and non-investors.

H4: Not supported. It is found that credit card usage behaviour is not influenced by financial literacy as the Kruskal–Wallis test in this sample showed no significant difference ($p = 0.754$) in financial literacy across credit card usage behaviour groups

Conceptual Framework: Financial Literacy and Behavioral Outcomes



Conclusion:

The connection between financial literacy and certain financial behaviours in young adults is supported by empirical data in this study. The study, which backs the theoretical connection between knowledge and financial choice, shows that financial literacy is a key indicator of credit score awareness and investment participation. The relationship with credit card usage patterns, though, was not proven, implying that other psychosocial and economic variables may have an impact on consumer credit behaviour besides literacy levels.

Most of the respondents said they were unprepared for financial management, therefore exposing major gaps in official financial education curricula. Though it is the primary driver behind the growth of financial behaviour, family influence somewhat fills this educational gap. The study also underlines the intricate relationship between

investment behaviour and consumption of financial information through social media, thereby necessitating more investigation on the effectiveness and quality of digital financial education solutions.

This study highlights the complexity of financial decision-making processes, therefore pointing up financial literacy as a main influence in shaping some financial attitudes. The evidence favours targeted interventions addressing certain literacy-behaviour interactions rather than assuming general use. The research stresses the vital need for educational changes and the development of complete financial literacy courses that take into consideration the complexity of financial behaviour development in modern society.

Theoretical Implications

The findings contribute by suggesting that the generalized education approaches may be more effective than behaviour specific interventions. It provides empirical evidence about the knowledge behaviour relationship in certain areas while challenging the application across all financial behaviours universally.

Practical Implications

The findings will help to reframe our education policy. There is a need of practical oriented modules in our formal financial education programmes. There should be focus on practical oriented teaching and learning methods rather than traditional conceptual models. Since family plays an important role, it suggests that multi-generational financial education programs may be more effective than individual-focused interventions.

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