



# THE IMPACT OF DIGITAL LITERACY ON FINANCIAL BEHAVIOUR AND FINANCIAL SELF-CONFIDENCE IN GENERATION Z

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**Abstract :** This research intends to evaluate how digital literacy impacts financial behaviors and self-efficacy in Generation Z. Digital literacy, which refers to the ability to proficiently navigate and employ digital technologies, is becoming increasingly significant in the current financial environment where digital financial tools are widespread. Investigating the relationship between digital literacy and financial practices is essential, as it highlights how digital skills can enable young adults to manage their finances more efficiently. This study utilizes a quantitative methodology with a survey-based cross-sectional design, focusing on Gen Z individuals aged 18-25. Data will be gathered from potential respondents using a stratified random sampling technique. In a society where financial choices are increasingly made via digital platforms; this research can illuminate how digital literacy can bolster financial self-efficacy and responsible financial practices. Understanding these connections can assist in creating educational initiatives and resources designed to enhance financial literacy within Gen Z, thereby promoting improved financial behaviours and independence. The study seeks to offer insights into how particular elements of digital literacy affect financial confidence and decision-making, ultimately supporting the creation of focused financial literacy programs for Gen Z.

**Keywords:** *Digital Literacy, Financial self-efficacy, Financial Behaviour*

## 1. Introduction

In the current digital era, the ways individuals manage their finances and make financial decisions are significantly shaped by digital tools and platforms. Proficiency in digital literacy—being able to navigate, assess, and use digital technologies—is essential for effectively managing personal finances. This skill is particularly important for Generation Z (Gen Z), as they engage with financial tools such as budgeting applications, online banking services, and investment platforms. Financial behaviours encompass saving, spending, and investing, which are critical indicators of a person's financial well-being.

Furthermore, as Farrell et al. (2016)<sup>1</sup> noted, financial self-efficacy—the belief in one's ability to make sound financial choices by selecting appropriate financial products and services and managing unforeseen financial challenges—is fundamental in influencing these behaviours. This study examines the connection between digital literacy, financial behaviours, and financial self-efficacy in the Gen Z demographic.

The research focuses on assessing how digital literacy affects financial behaviours and self-efficacy in financial matters among Gen Z. A sample of 146 participants, aged 18 to 25, was chosen through stratified random sampling to ensure adequate representation across various academic years and disciplines (Commerce, Arts, Science, and Engineering). Information was collected using a structured questionnaire divided into three sections: demographic information, a digital literacy scale, and scales to assess financial behaviours and self-efficacy. By examining these connections, the study provides insights into how digital skills can empower young adults to adopt responsible financial practices and boost their confidence in handling financial matters. The results aim to inform educational and policy strategies to close gaps in financial and digital literacy, fostering financial resilience and independence among Generation Z.

## 2. Review of Literature

Ng<sup>2</sup> investigates the wide range of skills needed for individuals to successfully navigate and make use of digital tools in handling finances. In today's digital landscape, these abilities are essential for engaging with services such as online banking, mobile wallets, and fintech applications. The research indicates that even those who are considered "digital natives" benefit from organized education to cultivate strong digital literacy, which is crucial for effective financial management. Ross and Squires<sup>3</sup> analyze how digital literacy boosts financial self-efficacy by allowing individuals to competently utilize digital financial tools. Their results

indicate that people with higher digital skills demonstrate increased confidence in their financial decision-making, which ultimately enhances their financial resilience.

Montalto et al. (2019)<sup>4</sup> examine the financial behaviours of Gen Z, revealing difficulties such as managing student loans and possessing limited financial knowledge. The research highlights the importance of financial literacy in enhancing financial habits, especially through digital financial tools that help track expenses and savings. Lusardi and Mitchell (2017)<sup>5</sup> contend that digital literacy is a key predictor of financial behaviours. Their study shows that individuals with higher digital literacy levels are more inclined to participate in responsible financial practices, such as saving and steering clear of unnecessary debt. Singh R. and Luthra R. (2018)<sup>6</sup> stress the success of gamified financial tools in fostering disciplined financial habits. These tools offer real-time feedback, empowering users to oversee and enhance their spending and savings.

Suri and Jack (2019)<sup>7</sup> explore the challenges to digital financial inclusion, emphasizing issues such as insufficient digital literacy and limited access to technology. Their findings underscore how these obstacles disproportionately affect marginalized groups, highlighting the necessity for targeted solutions. Fernandes et al. (2020)<sup>8</sup> contend that combining financial education programs with digital literacy training significantly enhances financial behaviours and resilience. They promote comprehensive educational initiatives that merge these two components to improve financial empowerment. This literature review emphasizes the intertwined roles of digital literacy, financial education, and digital tools in promoting effective financial behaviours and overcoming barriers to financial inclusion.

### 3. Research Objectives

- ✓ To examine how digital literacy influences financial behaviours among Generation Z.
- ✓ To evaluate the effects of digital literacy on financial self-belief within Generation Z.
- ✓ To investigate the connection between financial behaviours and financial self-belief among Generation Z.

### 4. Data Analysis and Interpretation

In this section, the collected data is analyzed and interpreted to gain meaningful insights into the demographics and key variables under study. The analysis focuses on gender distribution, year of study, stream of study, and descriptive statistics related to digital literacy, financial practices, and financial self-efficacy.

#### Gender Distribution

The sample consists of 146 respondents. 105 respondents (71.9%) are male, while 41 respondents (28.1%) are female. The cumulative percentage for males is 71.9%, and for females, it reaches 100%, indicating the overall gender distribution in the sample.

#### Year of Study

The respondents are categorized based on their year of study. A total of 40 students (27.4%) are in their first year, 32 students (21.9%) are in their second year, and 74 students (50.7%) are in their third year. The cumulative percentage indicates that half of the respondents belong to the final year, reflecting a substantial representation from students who may have more exposure to financial literacy concepts.

#### Stream of Study

The respondents belong to various academic streams, categorized as follows: B.A / M.A students constitute 13 respondents (8.9%), B.Sc / M.Sc / MCA / BCA students account for 53 respondents (36.3%), B.Com / M.Com / MBA / BBA students make up 63 respondents (43.2%), and B.E / B.Tech / B.Arch students represent 17 respondents (11.6%). The cumulative percentage shows that the majority (88.4%) of the respondents are from commerce, science, and management backgrounds, while a smaller proportion is from arts and engineering discipline.

#### Descriptive Statistics

Variable	Mean	SD
Digital Literacy (DL)	3.20	0.85
Financial Practices (FP)	3.10	0.88
Financial Self-Efficacy (FSE)	3.25	0.90

The study also examined key financial and digital literacy variables using descriptive statistics. The mean and standard deviation (SD) values for the core variables are as follows:

These values provide insights into the respondents' levels of digital literacy, financial behaviour, and self-efficacy. The mean scores suggest moderate levels of digital literacy and financial practices among students, while financial self-efficacy appears slightly higher. The standard deviations indicate a reasonable degree of response variation, signifying differences in individual financial and digital competencies.

Overall, the analysis provides a clear demographic overview and an understanding of the key financial and digital literacy measures relevant to the study

### Hypothesis – I

#### Model 1: Digital Literacy → Financial Practices

**H<sub>0</sub>1:** Digital literacy has no significant impact on the financial behaviours of Gen Z.

**H<sub>1</sub>1:** Digital literacy has a significant impact on the financial behaviours of Gen Z.

Predictor	Beta Coefficient (β)	t-value	p-value
Digital Literacy	0.78	11.00	< 0.001

**Result:** Digital literacy significantly predicts financial practices, supporting H<sub>1</sub>1.

Interpretation: The analysis indicates a Beta Coefficient ( $\beta = 0.78$ ), which suggests a strong positive correlation between digital literacy and financial practices. This means that as individuals' digital literacy improves, their financial practices also tend to become better. The t-value (11.00) further reinforces the strength and nature of this correlation, indicating a strong association. In addition, the p-value ( $< 0.001$ ) shows that these results are statistically significant, as it falls significantly below the common threshold of 0.05. Therefore, we reject the null hypothesis (H<sub>0</sub>1) and accept the alternative hypothesis (H<sub>1</sub>1), validating that digital literacy has a considerable effect on the financial practices of Gen Z. This outcome emphasizes the vital need to enhance digital literacy to improve financial behaviours in the digital age. This analysis highlights the necessity of boosting digital literacy to encourage healthier financial habits among young adults.

### Hypothesis – II

#### Model 2: Digital Literacy → Financial Self-Efficacy

**H<sub>0</sub>2:** Increased digital literacy does not lead to a significant improvement in financial self-efficacy among Gen Z.

**H<sub>1</sub>2:** Increased digital literacy leads to a significant improvement in financial self-efficacy among Gen Z.

Predictor	Beta Coefficient (β)	t-value	p-value
Digital Literacy	0.84	12.50	< 0.001

**Result:** Digital literacy significantly impacts financial self-efficacy, supporting H<sub>1</sub>2.

Interpretation: The analysis reveals a Beta Coefficient ( $\beta = 0.84$ ), which indicates a strong positive correlation between digital literacy and financial self-efficacy. This implies that an enhancement in digital literacy corresponds with a marked increase in financial self-efficacy. The t-value (12.50) underscores the strength and direction of this correlation, further substantiating its reliability. Additionally, the p-value ( $< 0.001$ ) indicates statistical significance, as it is significantly lower than the 0.05 threshold. Consequently, we reject the null hypothesis (H<sub>0</sub>2) and accept the alternative hypothesis (H<sub>1</sub>2), confirming that digital literacy significantly influences financial self-efficacy among Gen Z. The results underscore the significance of promoting digital literacy to equip Gen Z with increased confidence and skills to make sound financial choices. This examination stresses the role of digital literacy in boosting young adults' self-assurance in handling their financial matters.

### Hypothesis – III

#### Model 3: Financial Practices ↔ Financial Self-Efficacy

**H<sub>0</sub>3:** There is no significant relationship between financial practices and financial self-efficacy in Gen Z.

**H<sub>1</sub>3:** There is a significant relationship between financial practices and financial self-efficacy in Gen Z.

Predictor	Correlation Coefficient (r)	p-value
Financial Practices & Financial Self-Efficacy	0.82	< 0.001

**Result:** A strong positive relationship exists between financial practices and financial self-efficacy, demonstrated by a correlation coefficient of 0.82 and a p-value below 0.001. This finding reinforces the hypothesis that improved financial practices are linked to increased financial self-efficacy in Gen Z.

Interpretation:

### Relationship Between Financial Practices and Financial Self-Efficacy Among Gen Z

The exploration of the link between financial practices and financial self-efficacy shows a Correlation Coefficient ( $r = 0.82$ ), indicating a robust positive relationship. This result implies that individuals who demonstrate effective financial practices tend to have greater confidence in managing their finances. The positive correlation highlights the mutual dependence between cultivating good financial habits and the belief in one's capacity to make sound financial choices. The significance of this relationship is further corroborated by the p-value ( $< 0.001$ ), which is significantly lower than the conventional threshold of 0.05. This confirms that the observed relationship is unlikely to be a product of random chance. As a result, the findings support the hypothesis that financial practices and financial self-efficacy are significantly and positively connected among Gen Z. These results highlight the necessity of advocating for financial literacy and awareness to improve financial behaviours and self-confidence. By providing Generation Z with essential skills and assurance, educators and policymakers can empower them to make well-informed financial choices, thus promoting financial stability in a progressively intricate financial environment. This examination emphasizes the significance of cultivating solid financial habits to enhance the financial confidence of young adults.

#### Key Findings from Hypothesis Testing

The research provided valuable insights into the connections among digital literacy, financial habits, and financial self-efficacy in Gen Z.

#### Digital Literacy and Financial Practices

The assessment indicated a strong positive correlation between digital literacy and financial habits, reflected by a Beta Coefficient ( $\beta = 0.78$ ) and a p-value  $< 0.001$ , which confirms its statistical significance. This suggests that as digital literacy increases, there is a considerable improvement in financial behaviours, such as saving, responsible spending, and effectively utilizing digital tools for budgeting and investing.

#### Digital Literacy and Financial Self-Efficacy

The results also indicate that digital literacy significantly influences financial self-efficacy, as shown by a Beta Coefficient ( $\beta = 0.84$ ) and a p-value  $< 0.001$ . This illustrates those higher levels of digital proficiency boost confidence in managing financial tasks like budgeting, planning, and making well-informed financial choices.

#### Financial Practices and Financial Self-Efficacy

The correlation between financial practices and financial self-efficacy was found to be notably positive, with a Correlation Coefficient ( $r = 0.82$ ) and a p-value  $< 0.001$ . This indicates a reinforcement loop where responsible financial behaviours enhance confidence in managing financial responsibilities. Consequently, this creates a beneficial feedback cycle that promotes improved financial outcomes over time. These results emphasize the essential importance of digital literacy and financial habits in nurturing financial self-efficacy, offering a guide for empowering Gen Z in their financial endeavours.

### 5. Conclusion

This study underscores the vital importance of digital literacy in influencing the financial behaviors and self-confidence of Generation Z. A thorough analysis has revealed several important insights:

- 1) **Enhanced Financial Practices through Digital Literacy:** A notable positive relationship was found between digital literacy and financial habits. Greater digital literacy allows Gen Z to engage in healthier financial behaviors, such as saving, responsible spending, and effectively utilizing digital tools for budgeting and investments.
- 2) **Increased Financial Self-Efficacy through Digital Literacy:** Digital skills significantly boost financial self-efficacy. An elevated level of digital literacy nurtures increased confidence in managing financial obligations, including budgeting, planning, and making decisions, thereby empowering Gen Z to take control of their financial situations.
- 3) **Connection Between Financial Practices and Self-Efficacy:** The research indicated a strong positive association between financial practices and self-efficacy. Participating in responsible financial behaviors enhances confidence in managing finances, creating a reinforcing cycle that leads to improved financial results.

These insights emphasize the pressing need to integrate digital literacy and financial education into initiatives for young adults. Cooperation among educational institutions, policymakers, and financial entities is crucial to establishing comprehensive programs that boost both digital and financial literacy. Such initiatives would provide Gen Z with the essential skills and confidence to navigate the complexities of modern finance, promoting greater financial resilience and autonomy.

Future research can investigate these connections more thoroughly and assess the enduring effects of digital literacy on achieving financial independence. Additionally, examining these dynamics within different generational groups could provide a further understanding of how digital skills influence financial behaviours over time.

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