

## Perception of Financial Literacy Generation Z in Personal Finance Management in the Digital Era

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### ABSTRACT

*This research aims to understand the perception of financial literacy of Generation Z in personal financial management in the digital era through a qualitative approach. This study uses phenomenological methods to explore an in-depth understanding of Generation Z's experiences and perceptions related to financial literacy. Data were collected through in-depth interviews with three selected respondents using purposive sampling techniques. The results show that Generation Z has mixed perceptions of financial literacy, with some considering it as the key to financial independence, while others feel less confident in managing personal finances. These findings contribute to the development of financial literacy education strategies that are more in line with the needs of Generation Z in the digital era.*

*Keywords: Financial literacy, Financial management, Generation Z, Perception*

### INTRODUCTION

Generation Z, which is made up of individuals born between 1997 and 2012, faces a very different financial environment compared to previous generations. They grew up in the digital age, where technology and social media are an integral part of everyday life. Generation Z is growing up in the midst of rapid technological developments and unlimited access to information. In this context, personal finance management is a significant challenge due to easy access to various digital financial products and services. Financial literacy, which refers to the ability to understand and manage finances effectively, is a crucial factor for Generation Z to face these challenges (Permana et al., 2025)

In the sophisticated era, generation Z has low financial literacy, this is due to consumptive activities and lack of knowledge in managing proper finances (Siregar & Pratiwi, 2024). Financial literacy not only affects an individual's ability to manage income and expenses, but also in making informed financial decisions, such as investing and risk management. However, previous research has shown that the level of financial literacy among Generation Z is still relatively low, which can have an impact on the difficulty in managing personal finances effectively.

This research aims to understand the perception of financial literacy of Generation Z in personal financial management in the digital era. Using qualitative methods, this research focuses on Generation Z's individual experiences and views on financial literacy and how it affects their financial management practices. Thus, this research is expected to provide deeper insights into how financial literacy can be optimized to improve Generation Z's ability to manage their personal finances more effectively in the digital era. With this introduction, research can build a solid foundation for understanding the complexities of financial literacy among Generation Z and contribute to the development of more effective financial education and advocacy strategies.

### **Financial Literacy**

Financial literacy according to the Financial Services Authority (OJK) is knowledge, skills, and beliefs that influence attitudes and behaviors in decision-making and financial management to achieve community welfare (Financial Services Authority, 2017). (Lusardi, 2012) added that financial literacy is a skill that must be mastered by individuals to improve their standard of living through planning and allocating financial resources appropriately and efficiently. (Huston, 2010) states financial literacy as a combination of understanding and the ability to use financial concepts to make effective decisions, while (OECD, 2005) emphasizing knowledge, skills, motivation, and confidence in financial decision-making to improve individual well-being. (Remund, 2010) and (Mason & Wilson, 2000) views financial literacy as an ongoing process of understanding and utilizing financial information for rational decisions throughout life. With good financial literacy, a person can avoid the risk of bankruptcy, minimize debt, and better plan for their financial future.

### **Characteristics and Behaviors of Generation Z**

Generation Z is a group of individuals born between 1997 and 2012. They grew up in the digital age, where technology and the internet have become an integral part of daily life (Marendra & Fahrani, 2024). Quoted from Wikipedia, Generation Z was born at the beginning of the 21st Century as the first generation to grow up with access to the Internet and digital technology from a young age. This generation is known as the generation that is technologically literate, tends to be more connected online, and has quick access to information.

According to Australian sociologist Mark McCrindle (McCrindle, 2019) Generation Z is a highly digitally connected generation. McCrindle says that this generation is very comfortable with technology and able to do many things at once, and because they can easily get information from all over the world, they are more globally oriented. When it comes to financial management, Generation Z tends to have different behaviors than previous generations. Generation Z is more open to digital financial applications and technology-based financial services. They often use apps Mobile Banking, E-Wallet, and online investment platforms as a tool to manage their personal finances.

### **Personal Financial Management**

Financial management is the ability of a person to manage their finances starting from planning, budgeting, controlling expenses and making investments to achieve a prosperous life and be able to meet daily needs (Melisa, 2023) In the context of the digital age, personal financial management has been made easier by various applications and technologies that allow individuals to track expenses, create budgets, and invest more easily.

## **Digital Era and Financial Transformation**

The digital age has brought a major transformation in the way individuals manage their finances. Financial Technology (Fintech) such as digital payment applications, online banking services, and investment platforms have made it easier for individuals to access financial services (Gomber et al., 2018). These changes also create new challenges, where individuals need to have good digital literacy to understand the risks and opportunities associated with financial technology. For Generation Z, who grew up with this technology, the use of fintech is an important part of personal financial management. However, low financial literacy can cause them to get caught up in financial mismanagement, such as excessive debt or unwise investments (Leora Klapper, Annamaria Lusardi, 2015).

## **METHODOLOGY**

This research uses a qualitative approach that aims to deeply understand the phenomenon of financial literacy in Generation Z in the digitalization era. The qualitative approach was chosen because the focus of this study is to explore the subject's perceptions, experiences, and understandings contextually and holistically, rather than to generalize the results to a wider population. So that researchers can dig up rich and detailed data through direct interaction with participants.

In this study, the sampling technique used is purposive sampling. Purposive sampling is a method of deliberate sampling by considering certain criteria that are relevant to the purpose of the research. Samples are selected based on specific characteristics that are considered to be able to provide in-depth and representative information on the phenomenon being studied. By using purposive sampling, the researcher ensures that the participants involved really have relevant knowledge and experience so that the data obtained can provide a comprehensive picture of financial literacy among Generation Z.

## **RESULTS AND DISCUSSION**

### **Financial Literacy for Generation Z**

The results show that Generation Z's perception of financial literacy is still limited to a basic understanding of money management. This is in line with previous research by (Lusardi & Mitchell, 2013), which suggests that many young individuals have limited knowledge of more complex financial concepts. Respondents tend to think of financial literacy as important, but a lack of in-depth understanding makes it difficult for them to make wise financial decisions.

### **The Influence of Social Media on Financial Literacy Learning**

Social media serves as the main source of information for Generation Z, but the quality of that information is often unverified and can be misleading. These findings support the view (Huston, 2010) that although the accessibility of information is improving, the quality of financial understanding does not necessarily improve along with it. Content creators on social media often present information in an engaging form but not always accurate or comprehensive, which can lead to misunderstandings among Generation Z about financial management.

### **Spending Habits and Challenges in Financial Management**

The impulse spending habits among respondents reflect the strong influence of digital advertising and social media on young consumer behavior. This is in line with the theory of consumer behavior by Schiffman & Kanuk (2007) in a study conducted by (Daud, 2015), which suggests that external factors such as promotions can significantly influence purchasing decisions. Respondents realized that they often got caught up in a cycle of impulsive consumption, but found it difficult to control themselves when exposed to attractive ads on digital platforms.

### **The Use of Fintech and the Limitations of Understanding**

Although the use of fintech is increasing rapidly among Generation Z, the results of the study show that many of them have not fully harnessed the potential of the technology due to a lack of understanding of its advanced features. These findings show the need for further education on the effective use of fintech so that Generation Z can leverage these tools to improve their personal financial management.

### **CONCLUSION**

Financial literacy of Generation Z in the digital era shows great potential through the use of technology, but is still faced with challenges such as low investment understanding and consumptive lifestyle tendencies. Therefore, Generation Z needs to increase financial awareness by accessing reliable information and planning finances wisely, while financial institutions and governments are expected to provide relevant education and adaptive regulations to support inclusive and sustainable financial literacy.

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