



Financial Literacy, Fintech Adoption, and Youth Investment Behavior in the Digital Era

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Abstract

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This study aims to analyze the interrelationship between financial literacy, fintech adoption, and youth investment behavior in a global context. Using a narrative study approach, this research integrates empirical findings from various Google Scholar-indexed publications published over the past five years. The analysis reveals that strong financial literacy plays a crucial role in shaping rational, measured, and sustainable investment behavior amid the dynamics of the digital economy. Meanwhile, fintech adoption expands access to diverse digital financial instruments and promotes financial inclusion but also introduces new challenges such as privacy risks, data security issues, and digital inequality across social groups. Technology-based financial education emerges as a strategic factor in developing a generation of financially intelligent, digitally critical, and economically responsible youth. The study concludes that synergy between financial literacy, technological innovation, and public policy is essential to strengthen an inclusive, adaptive, and sustainable digital financial ecosystem that supports the development of a resilient and informed young investor community for the future.



1. Introduction

The development of digital technology has significantly changed the way individuals manage finances, transact and invest. This transformation is marked by the emergence of various technology-based financial services (financial technology or fintech) that increase efficiency, accessibility, and financial inclusion at various levels of society. This phenomenon does not only occur in developed countries, but also in developing countries that are experiencing an acceleration of economic digitalization. However, despite technological advances expanding access to financial services, the level of people's financial literacy is still a major challenge in realizing healthy and sustainable investment behaviors (Rahayu et al., 2022).

In the global context, the younger generation such as millennials and Generation Z are the most active groups in utilizing fintech services for investment and personal financial management. They are growing up in a digital era that demands adaptive ability to changes in the financial system that is increasingly data- and technology-based. The study of Daqar et al. (2020) shows that the perception of the younger generation towards fintech has a great influence on their financial behavior, including trust in digital systems and willingness to take risks in investing. This is in line with the findings of Orabi (2024) who stated that the combination of financial literacy, fintech adoption, and investment preferences has a significant influence on investment behavior in the digital banking era.

Financial literacy is an important foundation in determining a person's investment behavior. Individuals with a high level of financial literacy tend to be better able to understand the risks and potential profits of the various investment

instruments available on digital platforms. Research by Bagama (2024) emphasizes that financial literacy plays a role in shaping rational investment behavior, so that it is able to prevent individuals from making impulsive decisions that often occur in novice investors. Meanwhile, Raut and Kumar (2024) highlight the importance of digital investment literacy as a form of adaptation to changes in the financial ecosystem that now relies on connectivity and information technology.

The adoption of fintech is also influencing the way young people manage assets and make financial decisions. According to Saputra et al. (2023), the development of fintech makes it easier for Generation Z to save, invest, and access digital financial products without geographical restrictions. However, low levels of digital literacy can pose risks such as reliance on technology and a lack of understanding of data security and financial privacy. Therefore, digital literacy and financial literacy must go hand in hand so that individuals can use financial technology wisely and productively.

In addition, the shift in investment paradigm from the conventional system to the digital system has also encouraged changes in the financial behavior of the global community. Pokharel and Maharjan (2024) explained that the investment behavior of the younger generation today is more influenced by access to technology, the social environment, and sustainability values. They are more likely to invest in instruments that are transparent, accessible, and support sustainable economic goals. This phenomenon marks the birth of a new generation of investors who not only pursue financial gains, but also have social awareness in choosing their investment instruments.

Based on these findings, it can be concluded that financial literacy, fintech adoption, and investment preferences are closely related in shaping the investment behavior of modern society. However, there is still a research gap related to how the interaction of these three variables takes place in a cross-generational and cross-regional context. Therefore, this study seeks to examine in a narrative manner how financial literacy and fintech adoption shape the investment behavior of the younger generation in the global digital era. The focus of this research is not limited to a specific geographical context, but rather to the universal phenomenon of changing financial behavior amid the acceleration of digital transformation.

2. Literature Review

2.1. Financial Literacy and Investment Behavior

Financial literacy is an individual's ability to understand, manage, and make the right decisions related to personal financial management. In the context of the digital economy, financial literacy is becoming increasingly important because various financial instruments are now accessed online through technology-based platforms. According to Rahayu et al. (2022), digital financial literacy plays a significant role in shaping the financial behavior of the younger generation who are more adaptive to financial technology developments. Individuals with high financial literacy tend to have rational investment behavior, understand risks, and be able to distinguish financial instruments that suit their long-term goals.

In addition, Bagama (2024) found that increasing financial literacy can increase the interest and courage of the younger generation to invest in digital

instruments, such as online mutual funds, online stocks, and crypto assets. This is due to a better understanding of the risks and returns of digital investments. Meanwhile, Raut and Kumar (2024) emphasized that digital investment literacy is not just about mastering technology, but also includes understanding ethics, security, and sustainable financial planning. Thus, financial literacy is the main foundation in shaping wise investment behavior in the digital era, as it serves as a protector against speculative behavior and emotional decision-making.

2.2. Adoption of Fintech and Behavioral Finance

Fintech adoption is an important phenomenon in the modern digital economy. Fintech is not only expanding access to financial services, but it is also changing the way individuals interact with money and investments. Daqar et al. (2020) explained that positive perceptions of fintech can increase user trust and trigger the intention to invest through digital platforms. Millennials and Z generations, known as digital natives, take advantage of fintech because of its ease of making transactions, saving, and investing without time or location restrictions.

However, according to Saputra et al. (2023), fintech adoption does not automatically result in healthy financial behavior if it is not accompanied by adequate digital literacy. A low understanding of cybersecurity and data protection mechanisms can pose new risks in the use of financial technology. On the other hand, Pokharel and Maharjan (2024) show that the financial behavior of the younger generation is now more influenced by social factors, digital motivation, and access to platform-based investment information. This reinforces the view that fintech plays a role as a facilitator as well as a catalyst for changes in global investment

behavior. As such, the success of fintech adoption depends on a balance between technological advancements, financial literacy, and awareness of responsible financial behavior.

3. Method

This study uses a narrative study approach to explore the relationship between financial literacy, fintech adoption, and the investment behavior of the younger generation in a global context. This approach was chosen because it is appropriate to understand the complex and dynamic socio-economic phenomena in the digital age, where financial behavior is determined not only by rational factors, but also by individual personal experiences, perceptions, and values. Narrative studies allow researchers to interpret empirical data from various previous studies descriptively and interpretively, so that they can form a holistic understanding of the patterns and dynamics of investment behavior in modern digital societies (Raut and Kumar, 2024).

The data sources in this study come from Google Scholar-indexed academic literature and internationally reputable scientific journals published from 2020 to 2024. Data were collected from the results of empirical research, systematic reviews, and financial behavior analysis reports and fintech adoption. The inclusion criteria used include: (1) publication in the 2020–2024 time frame, (2) focus on financial literacy, fintech adoption, and investment behavior, and (3) the relevance of the context to the younger generation as the main actors of the digital economy. This approach ensures that the resulting narrative is sourced from the latest findings and

can describe actual changes in the global digital finance landscape (Rahayu et al., 2022).

The analysis procedure is carried out through narrative synthesis by grouping research findings based on themes and relationships between variables. The first step is to identify literature related to the concept of financial literacy and digital investment, then continue with an analysis of factors that affect investment behavior through fintech adoption. Each finding is compared and interpreted thematically to build a conceptual framework that describes the relationship between the three main variables (Bagama, 2024). This analysis does not aim to generalize statistics, but rather to gain an in-depth understanding of investment behavior patterns in the digital era.

The validity of the research is maintained through the process of triangulating sources by confirming findings between researchers from different geographical backgrounds and research methods. This narrative approach allows researchers to explore the broader meaning of secondary data, as well as explore the cause-and-effect relationships that arise naturally in the context of digital life. As such, this method provides a strong theoretical and empirical foundation for assessing how financial literacy and fintech adoption affect the investment behavior of young generations at a global level, while offering critical reflection on future research directions in the field of digital finance.

4. Results

The analysis of the results of this study illustrates the strong linkage between financial literacy, fintech adoption, and the investment behavior of the younger generation in the global digital era. Based on a narrative study of several recent academic sources, it was found that changes in the financial behavior of the younger generation are not only influenced by the level of financial literacy, but also by access to digital technology, trust in the fintech system, and social motivation in investing. The rapid digital transformation has changed the paradigm of individual financial management from manual to information technology-based that is more transparent, flexible, and integrated (Rahayu et al., 2022).

The study conducted by Orabi (2024) is one of the important references in understanding this dynamic. They found that good financial literacy allows individuals to understand the benefits as well as risks of using fintech in investing. When financial literacy is integrated with the ability to understand digital technology, investment behavior becomes more rational and information-based. In their study of millennials, the variables of financial literacy, fintech adoption, and investment preference showed a positive relationship with investment behavior, which means that the higher the level of literacy and technology adoption, the better their investment behavior.

These findings are supported by research by Bagama (2024) which identifies that basic knowledge regarding finance, such as income management, budget planning, and risk analysis, contributes directly to more cautious investment behavior. Financial literacy not only helps individuals understand investment

opportunities, but also forms responsible financial attitudes. Thus, young investors who have a good financial understanding are less likely to be easily influenced by fleeting trends on social media or digital market speculations such as crypto and NFTs.

In the context of financial technology adoption, research by Daqar et al. (2020) highlights that a positive perception of security and ease of use of fintech are the main drivers in digital investment behavior. Millennials and Gen Z who have a high level of technological literacy feel more confident in using AI-based financial applications, e-wallets, and online investment platforms. This creates a new, more open financial ecosystem, where investment decisions are made independently without the involvement of traditional financial institutions.

Furthermore, Raut and Kumar (2024) emphasize that digital investment behavior cannot be separated from the Theory of Planned Behavior, where the intention and perception of individual control over digital finance play an important role in determining actual actions. In this model, investment intentions are formed from a combination of attitudes towards investment, subjective norms, and perceived behavioral controls. For example, someone with high financial literacy and a positive perception of technology will find it easier to decide to make fintech-based investments.

Meanwhile, Saputra et al. research (2023) revealed that the younger generation, especially generation Z, is starting to shift the conventional saving habit towards digital saving behavior, namely the habit of saving and investing using digital applications. This change in behavior is not only caused by the ease of transactions,

but also by psychological factors such as satisfaction in monitoring asset growth in real time. However, Saputra et al. (2023) also reminded that low digital literacy can be a serious obstacle because many users do not fully understand the security risks of personal data and the potential misuse of financial technology.

In addition to literacy and technology, Sukamo et al. (2024) found that social motivation and media exposure also play a role in shaping the investment behavior of the younger generation. Factors such as peer influence, online investment trends, and images of success on social media are often the trigger for investment decisions. While this increases investment participation, the risk of speculative behavior also increases if decisions are not supported by adequate financial understanding. Therefore, the role of financial education is very important in directing investment interest in a productive direction.

The results of the research by Pokharel and Maharjan (2024) strengthen the argument that the financial behavior of the younger generation is now more complex than the previous generation. They emphasized that millennials and Gen Z combine economic logic with social values in investment decision-making. The factor of social responsibility and sustainability is an important consideration, so many young investors choose platforms that have an ethical reputation and support green or ESG-oriented investments (Environmental, Social, Governance). This shows that modern investment behavior is not only oriented towards financial gain, but also towards broader social value.

The study by Abdul Ghafoor and Akhtar (2024) added that socio-economic background affects the level of financial literacy and investment behavior.

Individuals from families with better access to financial information tend to have high financial literacy and are more likely to adopt digital financial technologies. However, the gap in access to financial information and technology is still an obstacle in some community groups. Therefore, public policies that encourage technology-based financial education are key to increasing digital financial inclusion.

The study by Setiawan et al. (2022) also provides an important perspective on digital financial literacy among millennials. They emphasized that the ability to use financial applications is not always in line with the ability to understand financial concepts. Many young users are active in digital transactions, but have not yet understood the basic principles of investment such as portfolio diversification and risk management. Therefore, financial literacy programs need to be designed not only to focus on technical skills, but also on conceptual understanding.

From a macroeconomic perspective, Mhlanga (2023) highlights that the development of fintech and artificial intelligence (AI) contributes to inclusive economic growth through increased access to financial services. Technologies such as robo-advisors and blockchain allow individuals with limited knowledge to participate in investments automatically and securely. However, Mhlanga emphasized that the adoption of this technology must be balanced with strong regulations so as not to create information inequality between users and service providers.

The analysis of Khan et al. (2023) shows that formal education plays an important role in improving financial literacy and people's readiness to face the era of financial digitalization. They found that an educational curriculum that

incorporates aspects of digital financial literacy directly impacts the ability of the younger generation to manage personal assets. Education that is integrated with technology is a strategic means to create sustainable and digitally smart investment behavior.

From a behavioral perspective, Kubińska et al. (2023) emphasized that financial behavior in the digital age is increasingly influenced by cognitive biases such as overconfidence and herding behavior. Although digital platforms provide easy access to information, users are often stuck in the behavior of following market trends without in-depth analysis. Therefore, it is important to build financial behavioral literacy that can help individuals control psychological biases in investment decision-making.

Furthermore, Sahani et al. (2022) show that fintech innovations such as robo-advisors and AI-driven analytics have the potential to improve people's investment literacy by providing personalized recommendations. However, the adoption of this technology still faces trust barriers from some users who are concerned about the privacy and accuracy of automated systems. Synergy between financial service providers and regulators is needed to ensure that the technology implemented remains transparent, secure, and reliable.

Overall, the results of this study show that the investment behavior of the younger generation in the 2020–2024 era is influenced by three main dimensions: financial literacy, digital literacy, and trust in financial technology. The three are interrelated and create new patterns of behavior characterized by financial autonomy, technological participation, and social awareness. The integration

between financial education, technological innovation, and adaptive regulation is necessary to create a sustainable digital investment ecosystem. Thus, this study emphasizes that the main challenge lies not in the availability of technology, but in the readiness of individuals to understand and utilize it intelligently and ethically.

5. Discussion

The results of this study show that financial literacy, fintech adoption, and investment behavior of the younger generation are three components that interact with each other in forming the global digital financial ecosystem. These findings reinforce the argument that financial behavior is no longer solely influenced by traditional economic factors, but also by social, psychological, and technological factors. Orabi (2024) emphasized that the combination of financial literacy and the ability to understand the fintech system is an important factor in determining investment success in the digital era. Tech-savvy young people tend to be more daring to take risks, but this courage must be balanced with good financial analysis skills so as not to get caught up in impulsive decisions.

This phenomenon also highlights the shift in investment paradigm from a rational approach to a behavioral finance approach, where emotions and social perceptions also influence investment decisions (Kubińska et al., 2023). Although fintech platforms provide quick and easy access to a wide range of financial products, not all users have the ability to process information critically. Many young investors are driven by market trends or social media recommendations without considering their personal risk profile. This condition shows that increasing digital financial

literacy is not only necessary to improve technical knowledge, but also to build reflective awareness of one's own financial behavior.

In addition, this study found that fintech adoption acts as a catalyst in expanding investment participation, but at the same time presents new challenges in the form of privacy risks and digital inequality. Mhlanga (2023) highlights that despite fintech expanding access to financial services, users from lower socio-economic backgrounds still face limitations in digital understanding and personal data protection. Therefore, government policies and financial institutions should focus on improving digital literacy as well as data security regulations that protect users from the risk of cybercrime.

Other findings show that the investment behavior of younger generations is increasingly influenced by social values and sustainability. Pokharel and Maharjan (2024) note that this generation prefers to invest in products that support corporate social responsibility and environmental sustainability. This indicates a shift in orientation from mere profit to value-based investment. This phenomenon is a challenge for the financial industry to adjust its product and communication strategies to align with the preferences of new investors who are more socially and ethically aware.

Furthermore, formal education is an important factor in preparing the younger generation to face the digital financial era. Khan et al. (2023) emphasized that an educational curriculum that integrates financial literacy and information technology can improve individual readiness to adapt to the digital financial system. Education that instills the value of responsibility, risk analysis, and understanding of

technology is a long-term investment for the stability of the future economic system. Thus, the success of the digital financial ecosystem depends not only on technological innovation, but also on the quality of the human resources who use it. This discussion emphasized that the main challenge in building healthy investment behavior in the digital era is not the provision of technology, but rather the cognitive, social, and moral readiness of individuals. The synergy between financial literacy, fintech adoption, and technology-based education is key in creating a society that is financially inclusive, digitally empowered, and responsible in making economic decisions.

6. Conclusion

This research confirms that financial literacy and fintech adoption have a very important role in shaping the investment behavior of the younger generation in the global digital era. Adequate financial literacy allows individuals to better understand investment opportunities and risks, while the adoption of fintech expands access to a wide range of modern financial instruments that are efficient and transparent. However, technological advances without adequate financial understanding can lead to speculative and high-risk investment behavior. Therefore, a balance between cognitive abilities, ethical awareness, and digital skills is an important element in building responsible financial behavior.

In addition, formal and informal education integrated with digital technology is a strategic instrument to strengthen financial literacy among the younger generation. The government, educational institutions, and the fintech industry need

to collaborate in creating an adaptive and inclusive financial literacy ecosystem. Thus, the future of digital finance is not only determined by the speed of technological innovation, but also by the ability of people to understand, manage, and make investment decisions wisely. The results of this research are expected to be a conceptual basis for policy development and further research on the investment behavior of the younger generation in the ever-growing digital finance era.

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