

# Research on the Impact of Digital Finance on the Personal Financial Management Behaviors of Generation Z: From the Dual Perspectives of "Financial Assistant" and "Consumer Promoter"

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## Abstract

As native residents of the digital age, Generation Z's financial management behavior is undergoing a paradigm shift under the profound influence of digital financial tools. This study, based on the theories of behavioral finance and consumer psychology, combines a hybrid approach of quantitative questionnaires and qualitative interviews to explore the dual impact of digital finance on the personal financial management behaviors of Generation Z. The research sample included 285 valid questionnaires and 8 in-depth interviews. The results showed that digital finance significantly enhanced the participation and initiative in financial management through technological convenience and an entertaining interface, but at the same time weakened individuals' risk awareness and ability to delay gratification. The Structural Equation Model (SEM) verified a significant positive correlation between the intensity of digital finance usage and consumption behavior, and revealed the moderating effect of financial literacy between irrational consumption and venture capital. Research shows that while digital finance is empowering Generation Z, it may also become a driving force for inducing advanced consumption, presenting a typical "double-edged sword" feature. The conclusion of this study provides practical inspiration for financial education, regulatory policies and platform design.

## Keywords

Digital Finance; Generation Z; Personal Financial Management; Financial Literacy; Behavioral Finance.

## 1. Introduction

### 1.1. Research Background and Problem Presentation

In recent years, with the rapid development of FinTech, digital financial platforms represented by Alipay, wechat Pay, Huabei and Yu 'E Bao have become an important part of People's Daily lives. The popularization of the digital economy has made financial services more convenient, personalized and socialized, especially having a profound impact on the Z-generation who have grown up in an environment of the Internet and smart devices. They have a high acceptance of numbers and a strong desire to explore, regarding financial management and consumption as part of their lifestyle.

However, this new type of financial ecosystem has also brought about complex problems. Although the one-click operation and visual interface of digital finance have lowered the threshold for financial management, they have simultaneously weakened the sensitivity to the flow of money, making expenditures "painless". The popularity of credit payment and installment consumption has led some Generation Z to fall into "advanced consumption" and "circular debt". Therefore, a key question emerges: Is digital finance the "financial assistant" for

Generation Z to achieve financial autonomy, or the "consumption driver" that traps them in consumption?

## 1.2. Research Significance

(1) Theoretical significance: This study combines the theoretical frameworks of behavioral finance and consumer psychology to reveal the psychological mechanism of digital finance on the financial management behavior of Generation Z. Unlike the traditional assumption of a "rational person", this study holds that when young people face digital financial platforms, their decisions are influenced by emotions, social comparisons, and immediate feedback mechanisms, which helps to expand the intergenerational research boundaries of behavioral finance.

(2) Practical significance: At the regulatory level, this study provides data support for policymakers to help identify financial risk points among young people. At the educational level, the importance of enhancing the financial literacy of Generation Z is emphasized. At the platform level, it provides directions for enterprises to improve product design and guide rational consumption.

## 2. Literature Review and Theoretical Basis

### 2.1. Current Research Status at Home and Abroad

In recent years, with the popularization of mobile payment, intelligent investment advice and virtual banks, scholars have begun to examine the impact of digital finance from multiple dimensions such as psychological, social and institutional levels. The financial behavior of Generation Z shows a high degree of digital dependence. When making financial decisions, they pay more attention to the interactive experience and social elements of the platform rather than the traditional comparison of yields. Research has found that the "instant feedback mechanism" of mobile financial applications can stimulate the emotional satisfaction of young users, thereby increasing the probability of irrational investment [1]. In addition, European scholars Mikalef and Krogstie proposed the concept of "financial entertainment", pointing out that the gamified design of financial products makes investment behavior tend towards entertainment consumption, blurring the boundary between rational decision-making and impulsive consumption [2]. In the Chinese context, Xu Lulu et al. believe that while platforms such as Alipay and WeChat Wealth Management have enhanced financial inclusiveness, they have also led young people to have insufficient awareness of debt risks, especially credit products like "Huabei" and "Baitiao" have strengthened the preference for instant gratification [3]. Another study indicates that social media marketing and KOL financial recommendations are reshaping the financial cognitive system of Generation Z, making "financial management" a social identity symbol [3]. Overall, the existing research is relatively sufficient at the macro level, but there are still gaps in the micro psychological mechanisms. This study, by combining structural equation models with interviews, further reveals the heterogeneous impact of digital finance under different psychological motivations, providing a more explanatory framework for the financial behavior of Generation Z.

Foreign scholars have been paying attention to the impact of fintech on young people's financial decisions for a relatively long time. Research indicates that FinTech platforms have lowered the threshold for financial management, enhanced user engagement and autonomy [4], but have also strengthened the psychological tendency of "instant gratification". Some studies have found that Generation Z's trust in digital finance stems from interface design and word-of-mouth on social media rather than traditional bank credibility.

Domestic research has been more focused on the inclusive effect of digital finance and its role in consumption upgrade. Scholars generally recognize its positive significance in enhancing

payment efficiency and financial inclusiveness, but it also warns of the social risks of issues such as "campus loans" and "advanced consumption". Most of the existing research remains at the macro level and lacks systematic analysis of the micro-behavioral mechanisms of Generation Z.

## 2.2. Theoretical Basis

This research takes behavioral finance as its theoretical core and combines the perspective of consumer psychology. Behavioral finance emphasizes that investors have cognitive biases and emotional disturbances in the decision-making process, such as overconfidence, loss aversion and the herd effect. Consumer psychology, on the other hand, focuses on the impact of gamification design, reward mechanisms, and social reinforcement on consumption motivation. The combination of the two helps explain how digital financial platforms can simultaneously stimulate rational investment and irrational consumption.

In addition to behavioral finance and consumer psychology, this study also referred to the Technology Acceptance Model (TAM) and Planned Behavior Theory (TPB). The TAM model indicates that perceived usefulness and perceived ease of use are the core variables influencing individuals' adoption of new technologies, which is particularly prominent in the acceptance process of digital financial platforms: Generation Z tends to choose financial tools that are easy to operate, have intuitive interfaces, and possess social attributes [5]. The TPB model emphasizes the interactive relationship among attitudes, subjective norms and behavioral intentions, revealing the crucial role of peer influence and social comparison in the financial management behaviors of Generation Z. The combination of the two theories helps explain "why" digital finance, while promoting rational financial management, is also prone to triggering the impulse of herd consumption and venture capital. And it can form an explanatory closed loop with the "financial literacy moderating effect" of this study.

## 3. Research Design and Methods

### 3.1. Research Methods

This study adopted the Mixed Methods, combining questionnaire surveys with in-depth interviews to achieve complementary and verified data. Questionnaires are used for quantitative analysis of the relationships among variables, while interviews are employed to gain a deeper understanding of psychological motivations and situational differences.

### 3.2. Data Collection

The questionnaire is divided into four parts: basic information, digital finance usage behavior, financial management attitude and financial literacy. All scales were scored using the Likert five-point scale. The data were processed by SPSS and AMOS and then subjected to structural equation modeling (SEM). The samples were obtained through snowball sampling in university communities and social platforms, with a total of 285 valid samples recovered. The interview section invited eight respondents with different financial management experiences to participate in semi-structured interviews.

### 3.3. Data Analysis

Data analysis includes reliability and validity tests, correlation analysis, and validation of structural equation models. Cronbach's  $\alpha$  all exceeded 0.8, indicating that the scale had a high degree of consistency. The CFA results show that the load factor is higher than 0.6, and the model's aggregated validity is good.

## 4. Data Analysis and Results

### 4.1. Sample Characteristics

Among the 285 samples, 56.1% were female and 43.9% were male. More than 70% of the respondents use Alipay and wechat Pay as their main financial management channels. 78.9% of people use the credit payment function, and approximately 65% have participated in online financial management or fund investment.

### 4.2. Hypothesis Testing Results

The SEM results show that the intensity of digital finance usage is significantly positively correlated with consumption behavior ( $\beta=0.43$ ,  $p<0.001$ ), significantly negatively correlated with the willingness to save ( $\beta=-0.29$ ,  $p<0.01$ ), and positively correlated with investment behavior ( $\beta=0.36$ ,  $p<0.001$ ). Furthermore, the moderating effect of financial literacy was significant ( $\beta=0.18$ ,  $p<0.05$ ), indicating that high financial literacy can reduce irrational consumption tendencies.

### 4.3. Analysis of Interview Results

The interview results reveal three main themes: (1) Digital finance endows Generation Z with a high sense of control and convenience; (2) The "painless" consumption has led to budget imbalance. (3) Social platforms intensify the herd mentality and financial anxiety. Most respondents mentioned that digital interfaces make money "more active but also more likely to be lost".

## 5. Discussion

Further examination reveals that the results of this study are somewhat consistent and different from those of existing literature. Consistent with the conclusion of Gupta et al., Generation Z demonstrates a higher level of financial engagement in the digital environment, but their decisions are biased towards short-term returns and lack long-term planning [4]. In addition, the financial behavior of China's Generation Z is also influenced by their social culture and educational background. Compared with the "asset allocation type of wealth management" in the European and American markets, young people in China are more inclined to "fragmented wealth management", that is, to satisfy their psychological sense of "participation" through small change investment, regular investment in funds and other means. It is worth noting that social media is becoming an important external variable influencing financial decisions. The platform algorithm creates an implicit pressure to follow the crowd by pushing "financial success stories" and "consumption seeding content". This phenomenon not only reflects the socialization trend of digital finance, but also reveals the intensification of "cognitive imbalance" and "financial anxiety" at the psychological level. Furthermore, the differences in financial literacy lead to behavioral differentiation: those with high literacy are better at identifying risks and using financial tools to achieve asset growth, while those with low literacy are more likely to fall into the trap of "pseudo-financial management", such as blindly following the trend to buy funds and using installment consumption. It can be seen from this that enhancing the financial literacy and digital rationality of Generation Z is a key direction that the policy and education systems urgently need to strengthen.

The research has verified the double-edged sword effect of digital finance on the financial management behavior of Generation Z. While it lowers the threshold for financial management, it also increases the risk of impulsive consumption. This phenomenon can be explained by the "instant reward mechanism" in behavioral finance - platforms make it easier for users to make short-term decisions through points, cashback and social incentives. Financial literacy plays the role of a balancer in this process and can significantly weaken the negative behavioral effects.

## 6. Conclusion and Recommendations

### 6.1. Research Conclusion

This study finds that digital finance profoundly influences the financial decision-making structure of Generation Z. Generation Z is characterized by "high participation, high experience and high risk". Digital finance not only promotes the democratization of financial management but also, in an intangible way, encourages irrational consumption.

### 6.2. Countermeasures and Suggestions

The platform should promote the concept of "responsible innovation", and add functions such as cooling-off periods for consumption, expenditure reminders and personalized risk warnings. The education system needs to strengthen financial literacy courses at the secondary school and college levels. Regulatory authorities should establish a dynamic monitoring mechanism to precisely supervise the credit behavior of the younger generation.

### 6.3. Research Prospects

Future research can expand the sample size and adopt the longitudinal tracking method to explore the trend of behavioral evolution. In addition, cross-cultural comparative studies are helpful in revealing the differences in financial decisions made by Generation Z in different social environments.

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