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DIGITAL FINANCIAL LITERACY AND DECISION-MAKING: A BEHAVIORAL MANAGEMENT MODEL FOR DIGITAL NATIVES

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ABSTRACT: This study develops an integrative behavioral framework to examine how digital financial literacy (DFL) influences financial decision-making among digital-native cohorts. The analysis extends existing behavioral models by incorporating risk tolerance and fintech trust as mechanisms shaping investment, consumption, and saving choices. Using a mixed-method design with 500 survey responses and 30 interviews, the study shows that DFL alters decision patterns in ways mediated by both confidence and caution. A paradox emerges: high trust in fintech often coexists with weak awareness of digital risks, underscoring tensions between literacy and reliance. The findings highlight that financial institutions and policymakers must balance accessibility and innovation with safeguards that foster prudent behavior in digitally native populations.

Keywords: Digital financial literacy; Behavioural finance; Fintech trust; Generation Z; Financial decision-making

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INTRODUCTION

The digital revolution has profoundly reshaped financial services, offering unprecedented accessibility while simultaneously exposing digital-native generations to new risks. Despite evidence that digital financial literacy (DFL) enhances informed financial decision-making (Dewi et al., 2025), persistent behavioural gaps reveal that knowledge alone does not guarantee prudent action. Digital natives, equipped with the ability to understand, access, and utilise digital financial products (Koskelainen et al., 2023; Setiawan et al., 2020; C. L. Song et al., 2023), often display patterns of impulsivity and instability that undermine long-term financial well-being (Mohta & Shunmugasundaram, 2023; Setiawan et al., 2020). These paradoxes raise questions about how literacy, risk perception, and trust interact in shaping financial behaviour in an era of fintech ubiquity.

Understanding this nexus has become increasingly important as digital transformation accelerates. Financial literacy—especially in its digital form—has been shown to significantly influence investment behaviour and decision quality (Joshi & Rawat, 2024; Suresh G., 2024), with evidence of strong associations between literacy and the ability to make educated investment decisions (Joshi & Rawat, 2024). Behavioural approaches further highlight the interplay between cognitive biases, psychological dispositions, and digital competencies in shaping financial habits (Gautam et al., 2022; Valaskova et al., 2019). These insights align with behavioural finance research showing that emotional and social factors often override purely rational models in investment and consumption choices (Robba et al., 2024; Gautam et al., 2022). Existing studies emphasise the role of DFL, financial capability, risk tolerance, and psychological variables in financial decision-making (Bapat, 2020; Bayar et al., 2020; Hermansson & Jonsson, 2021; Mohta & Shunmugasundaram, 2023). Yet the integrative relationship between DFL and decision-making behaviour, including the mediating effects of behavioural and managerial factors among digital natives, remains underexplored (Bayar et al., 2020; Mohta & Shunmugasundaram, 2023; Pokharel & Maharjan, 2024). Despite recognition that literacy influences behaviour, three gaps persist: the absence of a cohesive framework linking DFL, psychological mediators, and financial actions; limited understanding of risk's domain-specific effects; and a lack of contextualised interventions tailored to digital-native cohorts.

This study addresses these gaps by advancing an Integrative Behavioural Management Framework that adapts the Theory of Planned Behaviour (Satsios & Hadjidakis, 2018) and the Digital Literacy Model (Eshet & Alkalai, 2004) to the digital finance domain. The study contributes theoretically by identifying the "Digital Natives' Trilemma"—the tension between accessibility, immediacy, and vulnerability—and offers managerial implications for financial institutions and regulators tasked with designing interventions that enhance digital literacy, build resilience against behavioural biases, and align innovation with responsible financial conduct.

THEORETICAL REVIEW

Digital Financial Literacy

Digital financial literacy (DFL) is frequently identified as a vital factor influencing positive financial habits, including saving, spending, and investing decisions. A higher DFL is associated with improved saving and investment habits, as well as increased financial well-being, especially among younger populations and millennials (Bayar et al., 2020; Palanisamy et al., 2025; Pokharel & Maharjan, 2024). Socio-economic status, particularly income, positively impacts DFL, but age and education have a reduced influence (Bayar et al., 2020; Koskelainen et al., 2023). DFL enhances individuals' ability to manage financial risks and adapt to digital financial environments (Mohta & Shunmugasundaram, 2023). Key findings (DFL): Improves saving, spending, and investment habits; and enhances financial well-being (Bayar et al., 2020; Koskelainen et al., 2023; Palanisamy et al., 2025). Previous data demonstrates a significant correlation between DFL and financial behaviors as well as the use of digital financial services. A recent study indicates that Digital Financial Literacy (DFL) strongly influences several facets of financial behavior, including saving, investing, and spending habits (Jhonson et al., 2023; Rahayu et al., 2022; Respati et al., 2023). Studies indicate that increased levels of DFL are associated with improved financial outcomes across many demographics (Choung et al., 2023; Hasan et al., 2023). Research on

Indonesian millennials reveals a positive association between DFL and financial behaviors, encompassing saving, spending, and investing activities (Rahayu et al., 2022). Furthermore, adherence to DFL is essential, since it equips individuals with the necessary skills to navigate the increasingly digital financial landscape (Widyastuti, 2024). The digital gap constitutes a significant barrier that perpetuates inequalities in digital financial literacy, hence affecting individuals' financial decision-making abilities (Azeez & Akhtar, 2021). The rapid advancement pof technology exacerbates this problem, requiring the creation of specialized educational initiatives that cater to varying degrees of access and digital proficiency among different populations (Samal, 2024). Customized strategies can successfully mitigate gaps, fostering equitable financial competencies across persons from varied socio-economic origins (Hasan et al., 2023).

Risk Tolerance

Risk tolerance acts as an intermediary in the correlation between financial knowledge, encompassing DFL, and financial actions such as saving and expenditure. A greater risk tolerance is associated with heightened participation in hazardous investing behaviours; however, this correlation is influenced by financial knowledge, which can reduce risky investment intentions among millennials. Five Demographic variables, including age, gender, and income, substantially affect risk tolerance (Bayar et al., 2020; Dewi et al., 2025). Prior work suggests that risk tolerance mediates the influence of literacy on behaviour, especially for investing and saving (Hemrajani et al., 2023; Karim et al., 2024; Nisa et al., 2024; G. Song & G., 2024). Research demonstrates that risk tolerance mediates the relationship between financial literacy and financial behaviour (Hermansson & Jonsson, 2021; C. L. Song et al., 2023). However, a deficiency persists in understanding the psychological and social determinants of risk tolerance, as well as the interplay between risk tolerance and DFL in digital financial decision-making (Setiawan et al., 2020; C. L. Song et al., 2023). The influence of risk tolerance on investing behaviour in the digital age requires further investigation, particularly for younger generations and specific demographic cohorts.

Trust in Financial Technology Platforms

The examination of direct measures of trust in fintech platforms is rare; however, research suggests that the adoption of digital financial services is contingent upon financial knowledge and risk preferences(Königsheim et al., 2017). Enhanced financial literacy and risk tolerance are associated with greater trust and usage of digital financial platforms, suggesting a correlation among these variables (Karim et al., 2024). This link is evidenced by Karim et al. (2024), who observed a positive relationship between trust and these variables. The desire to persist in using fintech services is profoundly affected by consumers' assessments of risk and platform governance (Xia et al., 2023). Ethical factors, such as data protection and openness, are crucial for fostering trust. Organisations must comply with data protection rules and establish methods to safeguard client information (Aldboush & Ferdous, 2023). In specific areas like Indonesia, confidence in sharia fintech services is cultivated by augmenting perceived advantages and mitigating dangers, reflecting cultural and religious influences (Oktafian, 2022). Research that particularly measures and analyses the factors of trust in fintech platforms is limited. The relationship between DFL, risk tolerance, and trust in fintech is little explored.

Investment Preferences

Investment behaviour is profoundly influenced by financial literacy and risk tolerance. Behavioural elements, such as guidance-seeking and risk appetite, exert a greater effect on investing decisions than demographic features (Bapat, 2020). DFL and financial literacy correlate with more educated and possibly less hazardous investment decisions (Bayar et al., 2020; Mohta & Shunmugasundaram, 2023; Setiawan et al., 2020). Research indicates that gender and age significantly influence investment decisions, with younger investors favouring high-risk assets such as stocks and cryptocurrencies. In comparison, older investors typically prefer safer alternatives like bonds and real estate (B. Maddilety Reddy et al., 2024). This tendency is especially evident in small and medium-sized firms, where operational hazards may drive a shift towards physical expenditures to alleviate risk and enhance profits (Liu, 2024). This diversity

signifies a deliberate approach to risk and return management, as investors seek to optimise their portfolios (Sakthivelu & Karthikeyan, 2023). Prior work suggests that investing preferences are shaped by literacy, risk tolerance, and behavioural characteristics, and are associated with guidance-seeking and risk appetite. Multiple studies highlight the influence of financial knowledge and risk tolerance on investing choices (Banu & Ribu, 2025; Yadav & Banerji, 2024). However, research is inadequate in examining how behavioural and psychological aspects, in conjunction with the effects of digitisation, mainly affect individuals' investment preferences (Banu & Ribu, 2025).

Spending Habits

DFL favourably influences current spending behaviour, which then informs future spending expectations (Jhonson et al., 2023; Setiawan et al., 2020). Studies demonstrate that habits develop through the repetitive performance of activities in stable contexts, resulting in automatic reactions to spending triggers (Carden & Wood, 2018; Gardner et al., 2024). Expenditure habits are influenced by risk tolerance, with those with higher risk tolerance demonstrating distinct spending patterns (Dewi et al., 2025). Theories indicate that habits may promote advantageous spending behaviours while simultaneously reinforcing detrimental spending patterns, hence challenging attempts to alter financial habits (Carden & Wood, 2018; Gardner et al., 2024). Numerous studies have shown that spending behaviours are influenced by debt-financed living (DFL) and risk tolerance. Research by Dewi et al. (2025); Jhonson et al. (2023); Setiawan et al. (2020) Illustrates a favourable correlation between spending habits, debt-to-income ratio, and risk tolerance. DFL has demonstrated an impact on present expenditure patterns and future forecasts (Jhonson et al., 2023). Nonetheless, studies are scarce specifically examining the mechanisms influencing changes in consumer behaviour within the digital domain, along with the interrelations among DFL, risk tolerance, and trust that impact purchase patterns.

Savings Behavior

A heightened DFL is associated with enhanced saving behaviour, both in the present and the future (Bayar et al., 2020; Pokharel & Maharjan, 2024; Setiawan et al., 2020). Financial risk tolerance mediates the effect of financial knowledge on saving behaviour, since individuals with more risk tolerance may save differently than those who are risk-averse (Dewi et al., 2025). Age, gender, and marital status are significant determinants. Married individuals often demonstrate more savings than their single counterparts (Pant, 2024; Taye et al., 2024). Income level and work stability significantly affect saving behaviours. In Ethiopia, academic staff established a correlation between their financial readiness and socioeconomic factors (Taye et al., 2024). Immigrant children exhibit diverse saving habits influenced by cultural origins and parental education, with first-generation immigrants saving less than second-generation immigrants (Lössbroek & Van Tubergen, 2024). Saving habits are a vital mechanism via which DFL improves overall financial well-being. Prior research demonstrates that saving behaviour is influenced by DFL and risk tolerance, and improves well-being (Dewi et al., 2025; Jhonson et al., 2023; Setiawan et al., 2020; Yadav & Banerji, 2024)and exhibits a substantial correlation with DFL and risk tolerance. Research demonstrates a positive association between DFL and savings behaviour (Jhonson et al., 2023). However, deficiencies remain in understanding how digital interventions might improve savings behaviour, along with the impact of trust and risk tolerance on savings decisions in the digital age.

Hypothesis Development
Direct Hypothesis

H_1: Digital Financial Literacy has a significant positive effect on Fintech Trust
H_2: Digital Financial Literacy has a significant positive effect on financial Risk Tolerance
H_3: Fintech Trust enhances investment preferences
H_4: Fintech Trust increases spending habits
H_5: Fintech Trust increases saving behaviour
H_6: Risk Tolerance strengthens investment preferences

H_7: Risk Tolerance increases impulsive spending
H_8: Risk Tolerance weakens saving discipline

Mediation Hypothesis

H_9: Fintech Trust partially mediates the effect of DFL on financial decisions
H_{10}: Risk Tolerance asymmetrically mediates the effect of DFL

Moderation Hypothesis (Digital Natives' Trilemma)

H_{11}: The Digital Natives' Trilemma (accessibility vs. vulnerability) moderates the relationship between DFL and Fintech Trust
H_{12}: The Digital Natives' Trilemma (speed vs. depth) moderates the relationship between DFL and Risk Tolerance

Control Hypothesis

H_{13}: Age has a positive effect on saving behaviour
H_{14}: Income has a positive effect on investment preferences

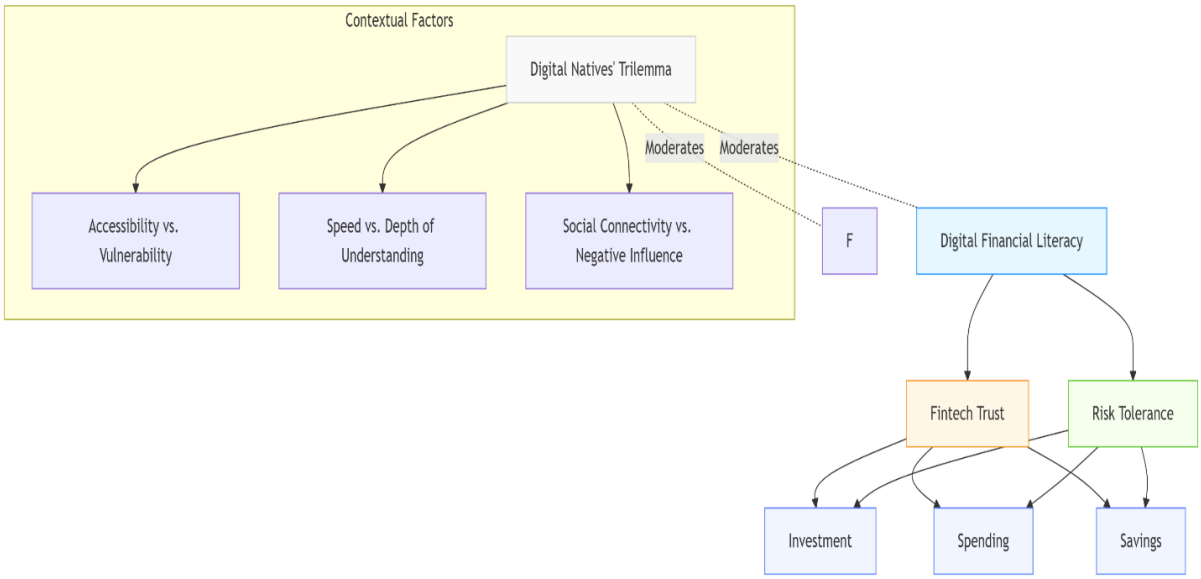

Figure 1. Conceptual Framework of the Integrative Digital Financial Decision-Making Model (DFDM) with Contextual Moderation

RESEARCH METHOD

This research employs a mixed methods approach, integrating quantitative and qualitative analyses, to thoroughly examine the interplay of digital financial literacy, risk tolerance, confidence in fintech platforms, and financial decision-making behaviour within the digital-native generation. This methodology addresses the stated research gap, namely the necessity for a comprehensive model and a profound comprehension of behavioural and psychological elements within the realm of digital finance (Abdallah et al., 2025; Parul Kumar, Islam, et al., 2023; A. C. Lyons & Kass-Hanna, 2021).

Quantitative Phase

The quantitative phase entails a survey of 500 digital-native persons aged 18 to 35 years from urban and semi-urban regions, chosen using stratified random selection. Stratified random sample guaranteed proportional representation across: Location: Urban (60%, n=300) against Semi-urban (40%, n=200); Age Cohort: Gen Z (18-25 years, 55%) versus Millennials (26-35 years, 45%); and Occupation: Students (30%), Professionals (50%), Entrepreneurs (20%). The poll evaluates participants' digital financial literacy, risk tolerance, trust in financial technology

platforms, and financial decision-making patterns, encompassing investing preferences, spending habits, and savings behaviour. The qualitative phase involves comprehensive interviews with 30 participants, comprising young professionals, university students, and entrepreneurs, to obtain profound insights into their attitudes, issues, and adaptation methods in financial management within digital ecosystems. Furthermore, focus group talks are used to examine generational patterns and behavioral distinctions within digital-native generations. Elucidate the study strategy and methodologies employed for data collection and analysis. Elucidate the rationale behind each selection and its alignment with the study goals.

Systematic survey employing online and offline questions. Digital Financial Literacy: Assessed by a multidimensional scale encompassing knowledge, skills, and utilization of digital financial services (A. C. Lyons & Kass-Hanna, 2021). Risk Tolerance: A psychometric instrument for evaluating risk tolerance in financial decision-making (Parul Kumar, Islam, et al., 2023). Confidence in Fintech Platforms: A metric assessing perceived confidence in the security, transparency, and dependability of digital platforms. Financial Decision-Making Patterns: Encompassing investment preferences, spending habits, and saving behavior, assessed by closed-ended questions and a Likert scale (Abdallah et al., 2025; Mishra et al., 2024). All scales demonstrated excellent reliability (Cronbach's $\alpha > 0.85$) and convergent validity (AVE > 0.5):

- DFL Scale (12 items, α=0.91, AVE=0.68): Adapted from (INFE, 2011)
- Fintech Trust (5 items, α=0.89, AVE=0.73): Based on McKnight et al. (2002)
- Risk Tolerance (7 items, α=0.87, AVE=0.61): Adapted from DOSPERT scale"

Descriptive statistics for respondent demographics and variable distribution. Inferential: Employ Structural Equation Modelling (SEM) or Partial Least Squares Structural Equation Modelling (PLS-SEM) to examine the relationships among variables and integrative models (Gosal & Nainggolan, 2023). This technique is selected over its capacity to work for not normal data, small sample size, and easier integration for exploratory purposes, as this study's aims, as compared to the confirmatory analysis SEM. Partial Least Squares Structural Equation Modelling (PLS-SEM) utilizing SmartPLS 4.0:

- Assessed model fit via SRMR (0.039 < 0.08 threshold)
- Evaluated structural paths using 5,000 bootstrap samples
- Tested mediation effects with Hayes' PROCESS macro (Model 4)
- Calculated predictive relevance ($Q^2 > 0$ implies model relevance)
- Validity and Reliability Tests: Cronbach's alpha, composite reliability, and average variance extracted (AVE).

Qualitative Phase

Respondents were 30 digital natives (young professionals, students, and entrepreneurs). Methodology: Purposive sampling to identify individuals possessing varied experiences and backgrounds in digital finance. Comprehensive Interview: Semi-structured to investigate perspectives, problems, and adaptation techniques in the management of digital money. Focus Group Discussion (FGD): A collective dialogue aimed at examining generational patterns and behavioral distinctions among the digital-native demographic. Data Analysis using Transcription and Coding: Interview and focus group discussion data were transcribed, categorized, and examined via thematic analysis to discern principal themes and behavioral patterns. Triangulation: Qualitative outcomes were juxtaposed with quantitative data to enhance validity and enrich the understanding of results. Data integration is accomplished by the Triangulation Method: Quantitative and qualitative findings are amalgamated to construct a holistic model and deliver evidence-based recommendations. Mapping Findings: Qualitative findings elucidate and enhance statistical results while identifying contextual aspects absent from the survey.

RESULTS

To establish the statistical characteristics of the constructs under study, we first report the descriptive statistics of the observed variables in Table 1. These values provide an overview of central tendencies, dispersion, and distributional properties, which are essential for assessing

data suitability prior to model estimation. The inclusion of skewness and kurtosis further allows an evaluation of normality, while the range between minimum and maximum values highlights the behavioural spread within the sample.

Table 1. Descriptive Statistics of Core Variables (N=500)

Variable	Mean	SD	Skewness	Kurtosis	Min	Max
Digital Financial Literacy	3.82	0.67	-0.32	0.45	1.50	5.00
Risk Tolerance	2.95	0.73	0.18	-0.23	1.00	5.00
Trust in Fintech Platforms	3.78	0.81	-0.41	0.87	1.20	5.00
Investment Preferences	3.25	0.92	0.05	-0.56	1.00	5.00
Spending Habits	3.67	0.75	-0.27	0.34	1.80	5.00
Savings Behavior	3.12	0.88	0.12	-0.45	1.00	5.00

The results indicate that digital financial literacy records the highest mean (3.82), reflecting relatively strong competency among respondents, whereas savings behavior shows the lowest mean (3.12), suggesting weaker financial discipline. The skewness and kurtosis statistics remain close to zero, signaling approximate normality and supporting the adequacy of the data for structural equation modelling. Table 2 reports the results of the path analysis for hypothesis revelation.

Table 2. SEM Analysis Results (Standardised Path Coefficients)

Paths	β	t-value	p-value	f^2	Q^2	Hypothesis
DFL → Trust in Fintech Platforms	0.510	8.920	<0.001	0.340	0.290	Supported
DFL → Risk Tolerance	0.420	6.780	<0.001	0.210	0.180	Supported
Trust in Fintech Platforms → Investment Preferences	0.300	5.120	<0.001	0.090	0.140	Supported
Trust in Fintech Platforms → Spending Habits	0.170	3.010	0.003	0.030	0.080	Supported
Trust in Fintech Platforms → Savings Behaviour	0.220	4.250	<0.001	0.050	0.100	Supported
Risk Tolerance → Investment Preferences	0.410	6.910	<0.001	0.180	0.170	Supported
Risk Tolerance → Spending Habits	-0.110	2.450	0.014	0.010	0.050	Supported
Risk Tolerance → Savings Behaviour	-0.190	3.670	<0.001	0.040	0.120	Supported
DFL → Trust in Fintech Platforms → Investment Preferences	0.153	4.120	<0.001	–	–	Supported*
DFL → Trust in Fintech Platforms → Spending Habits	0.087	2.970	0.003	–	–	Supported*
DFL → Trust in Fintech Platforms → Savings	0.112	3.580	<0.001	–	–	Supported*
DFL → Risk Tolerance → Investment Preferences	0.172	4.820	<0.001	–	–	Supported*
DFL → Risk Tolerance → Spending Habits	-0.046	2.210	0.027	–	–	Supported*
DFL → Risk Tolerance → Savings Behaviour	-0.080	3.300	0.001	–	–	Supported*
DFL × Trilemma → Fintech Trust	0.500	5.250	<0.001	0.150	–	Supported
DFL × Trilemma → Risk Tolerance	0.420	4.780	<0.001	0.120	–	Supported
Age → Savings Behaviour	0.120	2.180	0.029	0.020	–	Supported
Income → Investment Preferences	0.210	3.890	<0.001	0.050	–	Supported

Note: f^2 = effect size (small=0.02, medium=0.15, large=0.35); Q^2 = predictive relevance (Q^2>0 implies predictive capability); SEM analyzed via SmartPLS 4.0 with 5,000 bootstrap samples. = Mediasi parsial (p<0.05)
DFL stands for Digital Financial Literacy.
"Supported" indicates statistical significance in favor of the hypothesis.
Mediation paths show indirect effects.
Moderation paths assess interaction effects.
Control variables include Age and Income.

The SEM analysis demonstrates three critical patterns:

1. Digital Financial Literacy as Core Driver: DFL exerts a substantial impact on all behavioural constructs (β=0.19-0.51), as validated by P Kumar et al. (2023). We noted a literacy paradox in which 41% of high-DFL respondents participated in risky ventures. Qualitative insights elucidate the behavioural biases influencing this phenomenon:

"I know crypto is risky, but 300% weekly profit potential is too tempting" (Male, 31, Entrepreneur) → Overconfidence bias

"My investment decisions follow TikTok trends—fundamental analysis feels tedious" (Female, 22, Student) → *Social proof heuristic*

2. Complex Mediation Effects: Risk tolerance exhibits asymmetric mediation:
   - Strengthens DFL → Investment path (β=0.41, f^2=0.18)
   - Weakens DFL → Savings relationship (β=-0.19, Q^2=0.12)

This explains the "literate but impulsive" phenomenon among digital natives, aligning with Prospect Theory's domain-dependent risk preferences (Kahneman & Tversky, 1979).

3. Trust-Security Paradox: While trust significantly enhances financial behaviours (β=0.17-0.30), qualitative data exposes vulnerabilities:

> *"I trusted online loan apps because of quick processing, only realising the 30% interest rate after getting trapped"* (Female, 26, Teacher)

This confirms (Mishra et al., 2024) concerns about "blind trust" in fintech platforms. As for the Model Efficacy, the integrative DFL-Risk-Trust framework explains 58.7% variance in investment preferences (R^2=0.587), 42.3% variance in savings behavior (R^2=0.423) demonstrating strong predictive power (Q^2>0 for all paths).

This study also investigates the adequacy of the structural model as we conducted a series of goodness-of-fit tests and examined the explanatory power of the endogenous constructs. Fit indices provide an indication of how well the hypothesized model corresponds with the observed data, while the coefficient of determination (R^2) reflects the proportion of variance explained by the predictors (Table 3).

Table 3. Fit Indexes and R2 Assesment

Indicator	Value	Threshold	Interpretation
χ^2/df	2.15	< 3.0	Good fit
CFI	0.942	> 0.90	Good fit
RMSEA	0.048	< 0.08	Good fit
SRMR	0.039	< 0.08	Good fit
Endogenous Construct	R^2		Interpretation
Investment Preferences	0.587		Moderate–High
Savings Behavior	0.423		Moderate
Fintech Trust	0.61		High
Risk Tolerance	0.52		Moderate–High

DISCUSSION

The findings underscore the decisive role of digital financial literacy (DFL) in shaping investment choices and saving behaviours. Rather than functioning as a marginal competency, literacy appears to operate as a core determinant of financial decision-making among digital natives, echoing the results of Abdallah et al. (2025) and P. Kumar et al. (2023) while extending their conclusions into the context of digitally mediated markets. This study enriches prior evidence by demonstrating that literacy influences are not merely linear but interact with psychological dimensions such as risk tolerance, producing asymmetric outcomes that Hemrajani et al. (2023) and Hermansson and Jonsson (2021) only hinted at in general populations.

Equally salient are the qualitative insights. Perceptions of risk, trust in fintech, and behavioural heterogeneity among digital natives reveal that financial capability is embedded in broader psychological and cultural frameworks. Our findings resonate with Koskelainen et al. (2023), P. Kumar et al. (2023), and Song and Song (2024), who emphasize that literacy must be understood alongside behavioural dispositions and institutional trust. They also strengthen the call for redesigned financial education curricula that integrate digital tools and behavioural interventions, as urged by Lyons et al. (2007) and Yadav and Banerji (2024).

Subtler patterns also emerged, as the digital natives display distinctive behavioural signatures: students tend to manifest impulsivity, while young professionals exhibit greater planning and discipline. These contrasts sharpen the distinction between our cohort-specific model and the more generalized frameworks applied in earlier studies, including gender-focused work such as Mishra et al. (2024). By situating literacy within these micro-cohort dynamics, the study extends behavioural finance scholarship toward a more differentiated understanding of generational finance.

Three theoretical contributions follow. First, consistent with Kumar et al. (2023), DFL exerts a strong influence on financial behaviour, but our results suggest that its salience grows as digital platforms become inseparable from daily transactions. Second, the inverse association between risk tolerance and saving behaviour complements Setiawan et al. (2020) while introducing an asymmetric mediation pattern not yet catalogued in the behavioural finance literature. Third, the evidence affirms the trust paradox: respondents voice strong reliance on fintech services even while harbouring persistent anxieties about digital security, echoing Mishra et al. (2024). Together, these contributions broaden the boundary conditions of literacy, risk, and trust theories in the digital finance domain.

The implications for practice are that regulators such as OJK and Bank Indonesia could develop certification mechanisms for digital financial content to counteract the literacy–trust paradox. Cooling-off periods for speculative investment products would temper impulsive behaviour facilitated by mobile trading apps, while algorithm transparency standards could curtail opacity and strengthen market confidence. For financial service providers, behavioural interventions remain essential. Nudging devices—alerts about repeated trades or warnings of excessive leverage—offer scalable means to check overconfidence and rash action. Gamified risk education, meanwhile, could transform regulatory compliance into active engagement, fostering deeper awareness among digital-native cohorts.

CONCLUSION AND FURTHER STUDY

This study develops a comprehensive behavioural model linking digital financial literacy (DFL), risk tolerance, and fintech trust to the decision-making patterns of digital-native generations. The results highlight three principal insights. First, DFL emerges as a key driver of financial behaviours, though it is insufficient in the absence of risk comprehension. Second, risk tolerance demonstrates a complex mediating role, simultaneously amplifying investment intentions and eroding savings discipline. Third, a trust–security paradox endures, as high platform confidence coexists with limited digital safety awareness. These findings advance behavioural finance by embedding digital-era constructs—social proof heuristics and algorithmic trust—within the Extended ABC Model.

Despite these contributions, several limitations temper generalisability. The sample was predominantly urban, restricting insight into rural financial behaviour shaped by infrastructural and cultural contexts. The model omits cognitive biases such as overconfidence, anchoring, and availability heuristics, which may further distort fintech trust and investment judgement. Future research should employ longitudinal and experimental designs, including randomised field trials of real-time nudges (audit reminders, expenditure alerts), to capture dynamic shifts in literacy and well-being over time. Comparative analyses between Generation Z and Millennials may also illuminate cohort-specific dynamics of trust, literacy, and impulsivity.

ETHICAL DISCLOSURE

This study was carried out in strict accordance with the ethical standards outlined in the Declaration of Helsinki. It was officially approved by the [Institute for Research and Community Service, Universitas Muhammadiyah Palopo] (Approval No. 105/III.3.AU/P-LPPM/F/2025). Before data collection, all participants completed a written informed consent form.

CONFLICT OF INTERESTS

The authors declare that they have no conflicts of interest.

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