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The Influence of Digital Financial Literacy on Saving Behavior Among Gen Z in Indonesia

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ARTICLE INFORMATION	ABSTRACT
Sections Research Articles **Article History** Article Submitted: 23/06/2024 Accepted: 30/06/2024 Available online: 30/06/2024 **Keywords** digital financial literacy financial literacy saving behavior Gen Z	This research aims to determine the influence of digital financial literacy on saving behavior of generation z in Indonesia. The number of respondents of this research was 312 people, both from Java and non-Java. We carry out data processing using SmartPLS 3.0 software. In this research, we found that there is a positive and significant relationship between digital financial literacy and saving behavior of generation z in Indonesia. This means that the better a person's level of digital financial literacy, the better their financial behavior in terms of saving. There are still limitations to this research, namely that there are still provinces in Indonesia that have not participated in this research, so we suggest that the future research will be able to obtain respondents from all provinces in Indonesia.

INTRODUCTION

Currently, digital development is very rapid, including in financial matters (Nugroho, 2022). Technological developments in the financial sector are known as fintech or financial technology, according to Wardhana (2022) financial technology is a financial technology innovation originating from financial services companies which aims to provide convenience for its customers. Electronic payments, cryptocurrencies, and crowdfunding are some examples of these digital financial services (Rahayu *et al.*, 2022). Almost all financial transactions can be completed easily and quickly by smartphone. Because its convenience, digital financial services are rapidly developing, including in Indonesia.

The development and convenience of digital financial technology can influence people's financial behavior. This is included in their saving behavior (Ariska, Jusman and Asriany, 2023). According to research by Varlamova, Larionova and Zulfakarova (2020), it was revealed that someone who has knowledge of using digital technology, especially banking applications, will have more savings. Someone who understands digital financial literacy well will have the ability to make better financial decisions (Sahamony, 2023). However, according to statistical data from Otoritas Jasa Keuangan (OJK), generation z in Indonesia who understand financial literacy is quite low, about 44.04%, which means 55.96% of them have not understand digital financial literacy well.

This research focuses on generation z in Indonesia, because this generation is the largest population for using digital technology. According to Asosiasi Penyelenggara Jasa Internet Indonesia (APJII) in 2024, generation z occupies first position with a percentage of 34.4% of all internet users in Indonesia. Apart from that, research related to digital financial literacy among generation z is still rarely conducted. Previous research by Rahayu et al. (2022) has discussed the relationship between digital financial literacy and saving behavior, but this research was conducted on the millennial generation in Indonesia, not generation z.

Other research by Alysa, Muthia and Andriana (2023), have discussed digital financial literacy and its relationship with saving behavior among generation z, but this research is only limited to management students at Sriwijaya University, so it is not able to represent generation z in Indonesia. According to these limitations, the research was subsequently conducted with the objective of investigating the relationship between digital financial literacy and saving behavior among generation z in Indonesia, through a broader research scope compared to earlier studies.

LITERATURE REVIEW & HYPOTHESIS

Theoretical Foundations

Digital Financial Literacy

Digital financial literacy is a person's ability to understand and manage financial aspects efficiently using digital technology. According to Sahamony (2023), digital financial literacy includes an understanding of digital finance such as digital investment, digital banking, digital financial management applications, and awareness of risks in the digital environment. In this research, digital financial literacy is measured using four dimensions including knowledge, experience, awareness, and expertise and 11 indicators sourced from previous research by (Setiawan *et al.*, 2022).

Saving Behavior

Saving involves setting aside a portion of money for a specific future purpose, while saving behavior refers to the actions individuals take to allocate a portion of their income for future needs (Raszad and Purwanto, 2021). According to Putri and Wahjudi (2022), saving behavior is influenced by both internal and external factors. Internal factors include knowledge and self-control, while external factors encompass the social environment, such as peers and family. This study employs nine indicators derived from Setiawan *et al.* (2022) to measure saving behavior effectively.

Generation Z

Generation z is known as 'iGeneration', which means this generation is able to carry out many tasks by utilizing digital technology devices such as smartphones (Wijoyo *et al.*, 2020). According to data from the Badan Pusat Statistik (BPS) in 2020, generation z is the generation with the largest population in Indonesia with a percentage of 27.94% of the total population in Indonesia.

Hypothesis Development

According to Alysa, Muthia and Andriana (2023), understanding good digital financial literacy can make someone reduce excessive spending and prefer to increase their savings. By understanding good digital financial literacy, a person will be better able to be critical of existing services and will avoid consumerist behavior (Umami and Syofyan, 2023).

This is in line with research conducted by Rahayu *et al.* (2022), which found that a person's level of digital literacy has a positive effect on a person's saving behavior. Other research by Azeez and Akhtar (2021) which conducted in India, found that the level of digital financial literacy was very influential in individual savings behavior. Based on this study, the hypotheses that can be formulated are as follows:

H₁: Digital Financial Literacy Has a Positive Effect on Saving Behavior

Figure 1. Frameworks

Source: Setiawan *et al.* (2022)

RESEARCH METHOD

This research aims to determine the relationship between digital financial literacy and saving behavior in generation z in Indonesia. This research is quantitative, with primary data sources obtained directly from respondents by filling out questionnaires distributed via Google Form. The sampling in this study is based the theory of Hair *et al.* (2014).

According to this theory, the total number of samples should be five to ten times more than the number of indicators. Based on this, the minimum sample size in research is 100 respondents, but the researchers have exceeded this minimum limit by obtaining 312 respondents.The characteristics of the respondents in this study can be seen in table 1 below:

Table 1. Respondent Characteristics

Demographic Variables	N	%
Gender		
Man	71	22,8
Woman	241	77,2
Age		

Demographic Variables	N	%
15-21 years old	197	63,1
22-26 years old	115	36,9
Work		
Student/Students	215	68,9
Private sector employee	45	14,4
Freelance/Freelancer	9	2,9
Self-employed	13	4,2
Government Employees/Asn	6	1,9
Irt	3	1,0
Not yet working	21	6,7
Income		
0-Rp 1,000,000	210	67,3
IDR 1,000,000-IDR 3,000,000	80	25,6
IDR 3,000,000-IDR 5,000,000	14	4,5
>Rp 5,000,000	8	2,6

Source: Processed Primary Data (2024)

RESULT ANALYSIS

Data processing in this research uses SmartPLS version 3.0. The following are the results of outer loading from SEM-PLS.
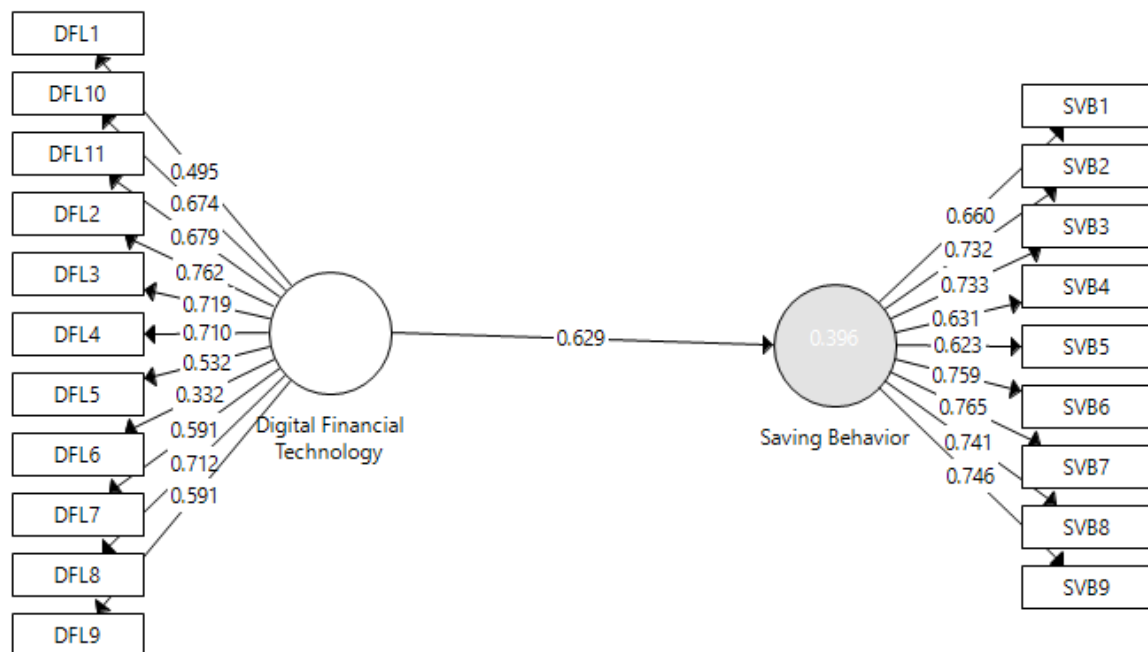

Figure 2. Outer Loading

Source: Processed Primary Data (2024)

Convergent Validity Test

An indicator is said to be convergently valid if the loading factor value is $> 0,7$ and the Average Variance Extracted (AVE) $> 0,5$ (Murniati *et al.*, 2013).

Table 2. Valid Test Result

	Research Variables		AVE
	Digital Financial Literacy	Saving Behavior	
DFL2	0,762		0,680
DFL3	0,719		0,680
DFL4	0,710		0,680
DFL8	0,712		0,680
SVB2		0,732	0,609
SVB3		0,733	0,609
SVB6		0,759	0,609
SVB7		0,765	0,609
SVB8		0,741	0,609
SVB9		0,746	0,609

Source: Processed Primary Data (2024)

Discriminant Validity

A variable is said to be discriminantly valid if the root of AVE > correlation between latent variables (Murniati *et al.*, 2013).

Table 3. Fornell Larcker Criterion Values

	Digital Financial Technology	Saving Behavior
Digital Financial Technology	0,824	
Saving Behavior	0,482	0,781

Source: Processed Primary Data (2024)

Based on table 3 above, these two variables can be said to be discriminantly valid because the root AVE > correlation between the latent variables.

Reliability Test

A variable can be said to be reliable if the cronbach's alpha value and composite reliability value are > 0,7 (Hair, Ringle and Sarstedt, 2011).

Table 4. Reliability Test

	Cronbach's Alpha	Composite Reliability
Digital Financial Technology	0,843	0,895
Saving Behavior	0,872	0,903

Source: Processed Primary Data (2024)

Based on table 4 above, it can be seen that cronbach's alpha and composite reliability for each variable are > 0,7; which means that all variables in this study are reliable and the results of this test are acceptable.

Coefficient of Determination Test

Table 5. Coefficient of Determination Test (R-Square)

	R Square	R Square Adjusted
Saving Behavior	0,232	0,229

Source: Processed Primary Data (2024)

From table 5, it can be seen that digital financial literacy is able to explain changes in saving behavior around 23,2%.

Q-Square Test

Q-square or predictive relevance is a test carried out to measure how well a model has predictive relevance. The provisions in this research are, if the Q-square value > 0 then it can be said that a model has good predictive relevance, but if the Q-square value < 0 then it can be said that a model has poor predictive relevance (Chin and Marcoulides, 1998).

Table 6. Q-Square Test

	SSO	SSE	Q² (=1-SSE/SSO)
Digital Financial Technology	1248,000	1248,000	
Saving Behavior	1872,000	1627,054	0,131

Source: Processed Primary Data (2024)

Based on table 6 aboveIt can be seen that the Q-Square value is 0,131. This means that the model in this study has good predictive relevance, because Q-square > 0.

Effect Size Test

Table 7. Effect Size Test (F-Square)

	Digital Financial Technology	Saving Behavior
Digital Financial Technology		0,302
Saving Behavior		

Source: Processed Primary Data (2024)

The purpose of this test is to see the effect of one variable to another variable, if an f-square value of 0,02 is considered small, a value of 0,15 is considered moderat, and a value of 0,35 is considered high (Hair, Ringle and Sarstedt, 2011). Based on the table above, f-square has a value of 0,302, which means there is a moderate influence between the digital financial literacy variable and saving behavior.

Path Coefficient

Path Coefficient Test

Hypothesis testing in this research was carried out using the bootstrapping method, to prove whether digital financial literacy has direct impact on saving behavior. If the t-statistic value > 1,96. and Pvalue< 0,05. Then there is a positive and significant relationship between digital financial literacy and saving behavior.

Table 8. Path Coefficient Test

	Standard Deviation	T Statistics	P Values	Conclusion
Digital Financial Technology -> Saving Behavior	0,043	11,203	0,000	H_1 is Accepted and Significant.

Source: Processed Primary Data (2024)

Based on the table aboveIt can be seen that there is a positive and significant relationship between digital financial literacy and saving behavior, which is indicated by a Pvalue > 0,05 and a T statistic value > 1,96.

Discussion

This research aims to find out whether there is a positive and significant relationship between digital financial literacy and saving behavior. The sample for this research was 312 responden from generation z respondents around Indonesia. Overall, this research found that digital financial literacy is believed to have a positif and significant influence on a person's saving behavior.

Influence of Digital Financial Literacy on Saving Behavior

The results of this research found that there is a positive and significant influence between digital financial literacy and saving behavior. This means that the better a person's level of digital financial literacy, the better a person's saving behavior will be. This is because if someone understands digital financial literacy, they will be able to make a better financial decision (Sahamony, 2023). The results of this study are in line with previous research by Setiawan *et al.* (2020; Hardiyanti (2022; Rahayu *et al.* (2022) which also found a positive relationship between digital financial literacy and saving behavior. However, the results of this study contradict the research results by Pratama, Kusumawardhani and Maulida (2024) who found that there was no relationship between digital financial literacy and saving behavior.

CONCLUSION

The purpose of this study is to find out how digital financial literacy affects saving behavior. Since generation z is the largest internet user base compared to previous generations, this generation become he focus of the study. We obtained a sample of 312 participants spread across various provinces in Indonesia. SmartPLS 3.0 was used to process the data. This study found a positive and significant relationship between digital financial literacy and saving behavior, someone who has a higher level of digital financial literacy will be more adept at managing their funds. With this correlation, it is important for the government to introduce digital financial literacy, especially to generation z so that they not only focus on spending their money but also have the desire to saving.We hoped this study can contribute to future research that will examine similar subjects. There are limitations in this study:

1) This research only focuses on the influence of digital financial literacy on saving behavior, so further research is expected to be able to examine the effect of digital financial literacy on shopping and investment behavior.

2) There are some province in Indonesia that have not participate on this study. The future research expected to enlarging the responden so all the province in Indonesia could participate.

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