



RESEARCH ARTICLE

Financial Literacy and Financial Well-Being Among Young Adults in the Digital Economy

Nur Syahirah Afiqah Mohamed Suhaimi^{1*}, Abdul Aziz Othman²

¹ Faculty of Business and Management, UiTM Kota Bharu, Kelantan, Malaysia

² School of Technology Management & Logistics, Universiti Utara Malaysia, Malaysia

CORRESPONDING AUTHOR

Nur Syahirah Afiqah Mohamed Suhaimi
Email: 2023829116@student.uitm.edu.my

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ABSTRACT

Young adults increasingly manage money through digital platforms that expand access to payments, credit, savings, investment, and financial information while also intensifying exposure to impulsive consumption, fraud, data risk, and low-friction borrowing. This conceptual article examines how financial literacy can strengthen financial well-being among young adults in the digital economy. It integrates conventional financial literacy, digital financial literacy, financial behaviour, self-control, socialisation, and life-course perspectives to explain why knowledge alone does not guarantee sound outcomes. Five contemporary pressures are analysed: easy credit and deferred payment, algorithmic consumption, digital fraud, income instability, and the knowledge-behaviour gap. The article then identifies five mechanisms linking literacy to well-being: budgeting and saving discipline, self-control, risk recognition, calibrated financial confidence, and alignment between digital financial use and long-term goals. Strategic pathways are developed for higher education, behavioural budgeting, consumer protection, responsible fintech and credit use, and digitally supported financial coaching. The analysis positions financial literacy as an applied capability rather than a static stock of knowledge. Its contribution is an integrated framework showing how individual agency, behavioural systems, educational practice, and digital financial design can jointly support sustainable financial well-being among young adults.

Keywords: Literacy, Finance, Wellbeing, Digital, Youth

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1. INTRODUCTION

Financial independence now begins within a digital marketplace where young adults manage payments, savings, credit, investment, insurance, shopping, and financial advice through interconnected mobile platforms. This transformation expands access and convenience, yet it also increases the number and speed of decisions that individuals must make before they have accumulated substantial experience with budgeting, debt, risk, or long-term planning. Lusardi and Mitchell (2014) position financial literacy as a form of human capital that influences economic decision quality, while Goyal and Kumar (2021) show that the field has expanded as financial systems have become more complex. In Malaysia, young adults face an additional tension because digital finance is normalised at the same time that cost pressures, debt obligations, and unstable early-career income can reduce financial resilience. Wan Nawang (2025) reports that financial awareness, knowledge, attitudes, and behaviour are closely connected with financial well-being among young Malaysians. The digital economy therefore raises a central question: whether greater access to financial technology is being matched by sufficient capability to use it responsibly. Financial literacy remains important, but its meaning must now include the ability to interpret digital interfaces, evaluate product terms, recognise behavioural influence, and protect oneself against risks that are embedded in online financial participation. A digital economy therefore changes not only the channels through which money is managed but also the speed, frequency, visibility, and psychological framing of everyday financial decisions.

Financial well-being extends beyond income levels because it reflects whether individuals can meet present obligations while preserving control, flexibility, and future financial security. Brügger et al. (2017) conceptualise it as the perception of being able to sustain desired living standards and financial freedom over time, while Netemeyer et al. (2018) distinguish current money-management stress from expected future financial security. These dimensions are particularly relevant to young adults because they are often balancing education loans, entry-level wages, family expectations, housing costs, mobility expenses, and the desire to build savings simultaneously. A life-course perspective further suggests that the meaning of financial well-being changes with age and accumulated responsibilities (Riitsalu et al., 2023; Salignac et al., 2020). Digitalisation can support this transition by making budgeting, saving, payments, and investment more accessible, but convenient access may also obscure costs or encourage frequent low-friction spending. Zaini et al. (2026), in examining Generation Z online spending, illustrate how digital commerce and review environments can shape consumption behaviour. The strategic relevance of financial literacy therefore lies in its capacity to convert access into informed control. A financially literate young adult should be able to understand core financial concepts, judge digital products, recognise risk, regulate spending, and align short-term decisions with future objectives rather than simply use financial technology fluently. Financial capability becomes stronger when knowledge is translated into repeated behaviour, supported by suitable tools, realistic goals, and an ability to evaluate risk before convenience or social pressure determines the decision.

Recent research increasingly distinguishes digital financial literacy from conventional financial knowledge because online services require additional judgement about interfaces, security, risk, and behavioural influence. Wan Nawang and Abdul Shukor (2023) and Low et al. (2023) emphasise awareness, knowledge, risk recognition, and practical understanding of digital financial services among Malaysian young adults. International evidence similarly indicates that digital financial

literacy can improve financial behaviour and financial well-being when individuals possess both financial knowledge and the practical ability to navigate digital services safely (Abdallah et al., 2025; Lone et al., 2025). This shift is important because users can understand interest, inflation, and diversification yet still make poor decisions when interfaces encourage immediacy, social proof, deferred payment, or repeated microtransactions. Financial behaviour thus becomes the bridge between literacy and well-being. Sabri et al., (2024) identify financial behaviour as a significant determinant of well-being among Malaysian young adults, while Strömbäck et al., (2017) show that self-control is associated with stronger saving and lower financial anxiety. The evidence suggests that literacy has limited value when it remains detached from behavioural routines. Effective capability must therefore combine knowledge, digital judgement, self-regulation, and practical systems that help young adults preserve financial control despite the speed and persuasive design of digital financial and commercial environments. The analytical implication is that financial well-being should not be reduced to income alone because security also depends on control, preparedness, decision quality, access to appropriate services, and confidence about future obligations.

A persistent challenge in financial education is the distance between understanding prudent financial choices and applying them consistently in everyday life. Fernandes et al. (2014) demonstrate that traditional financial education often has weaker long-term behavioural effects than expected, particularly when learning is separated from the decision context in which it must later be applied. Xiao and Porto (2017) similarly show that education reaches financial satisfaction through mediating mechanisms such as literacy, behaviour, and broader capability. The digital economy can widen this knowledge-behaviour gap because financial choices are increasingly embedded in commercial platforms that reward speed, convenience, and continuous engagement. Social commerce, automated retail, and platform-based consumption illustrate how technology can reshape purchasing routines and customer engagement (Yusof et al., 2025). Young adults may therefore possess basic financial knowledge while remaining vulnerable to impulsive expenditure, easy credit, fraud, or fragmented financial attention. Existing research often examines financial literacy, fintech adoption, spending behaviour, or well-being separately. A stronger conceptual account must explain how these elements interact under digital conditions and why knowledge sometimes fails to produce control. That gap provides the rationale for analysing financial literacy as an applied capability embedded within behavioural and technological environments. This perspective is consistent with a capability approach in which financial literacy matters most when individuals can apply it under real conditions involving uncertainty, persuasive technology, credit availability, and uneven economic resources.

This conceptual analysis investigates how financial literacy can strengthen young adults' financial well-being by linking knowledge, digital capability, behavioural processes, and institutional conditions. The examination is necessary because the same technologies that widen participation can also intensify exposure to frictionless spending, credit, data risks, and persuasive commercial design. The article adopts a capability perspective in which knowledge becomes valuable when it can be translated into budgeting, saving, risk evaluation, self-control, and deliberate use of digital financial services. Evidence on financial inclusion and technological learning further supports the importance of capability rather than access alone (Grohmann et al., 2018). The scholarly contribution is to connect financial literacy with financial well-being through a sequence of contemporary pressures, explanatory mechanisms, and implementable pathways. The next two major discussions establish the conceptual foundations and identify the principal pressures weakening young adult

financial outcomes. Subsequent analysis explains the mechanisms linking literacy with well-being before developing practical pathways involving education, financial service design, consumer protection, and self-management. The resulting argument positions financial literacy as a dynamic capability for sustaining financial agency in an increasingly digital economy. Digital participation also introduces new asymmetries because platforms can simplify transactions while making costs, behavioural cues, data practices, and long-term consequences less visible to inexperienced users.

2.0 FINANCIAL LITERACY FOUNDATIONS SHAPING DIGITAL FINANCIAL WELL-BEING

Financial literacy influences financial well-being through a chain of capabilities in which knowledge must be converted into behaviour under specific economic and digital conditions. Five foundations clarify how this relationship operates among young adults. It first treats financial literacy as a multidimensional capability, then clarifies financial well-being as a subjective and objective life-course outcome. It next examines digital financial literacy, behavioural self-regulation, and the role of financial socialisation and economic context. Together, these foundations show why neither knowledge nor income alone is sufficient. Young adults need the ability to interpret information, evaluate products, manage impulses, learn from social environments, and adapt financial decisions to changing digital conditions.

2.1 Multidimensional Financial Literacy Strengthening Young Adult Capability

Financial literacy is better interpreted as a multidimensional capability combining knowledge, skills, attitudes, confidence, and repeatable decision routines. Lusardi and Mitchell (2014) establish the economic relevance of knowledge about interest, inflation, and risk diversification. Later reviews indicate that literacy research increasingly recognises behavioural and contextual dimensions (Goyal & Kumar, 2021). Young adults require this broader interpretation because financial decisions are rarely presented as textbook problems. They occur through banking apps, e-wallets, social media promotions, digital marketplaces, employer benefit platforms, and credit offers that compress information into simplified interfaces. Financial literacy must therefore include the capacity to identify the economic substance behind the interface. The distinction between access and capability is also important. Grohmann et al., (2018) show that financial literacy can strengthen effective use of financial services, which implies that inclusion without understanding can leave consumers exposed to unsuitable choices. For young adults, literacy becomes a capability when it supports comparison, planning, questioning, and disciplined action. Knowledge is a necessary foundation, but the strategic value comes from being able to use that knowledge under pressure, uncertainty, and incomplete information in real financial environments. For young adults, this relationship is especially important because early financial choices often establish routines that influence debt exposure, saving capacity, resilience, and confidence during later stages of working life.

A multidimensional perspective also explains why subjective confidence matters alongside objective financial knowledge. Riitsalu and Murakas (2019) find that subjective financial knowledge and prudent behaviour are strongly connected with financial well-being, suggesting that individuals need both understanding and confidence to act. Excessive confidence, however, can create its own risk if users overestimate their ability to judge unfamiliar digital products. Effective literacy therefore involves calibrated confidence, where people know enough to act when appropriate and recognise when additional information or advice is required. The digital economy makes this calibration more

difficult because product interfaces can create an impression of simplicity even when underlying costs or risks are complex. Azahari and Mohamed Suhaimi (2023) reinforce the importance of accessible financial information for decision quality. Jamaludin et al., (2024) similarly emphasise the importance of financial transparency. Yet disclosure alone is insufficient if users cannot interpret what is disclosed. A multidimensional capability perspective therefore places comprehension, comparison, behavioural discipline, and reflective judgement around the core of financial knowledge. For young adults, this approach is more realistic than a purely cognitive definition because it explains how literacy supports control across spending, saving, borrowing, investment, and digital financial participation. Within multidimensional financial literacy strengthening young adult capability, financial knowledge must guide choices that protect stability and future flexibility. Financial knowledge must therefore become usable financial judgement.

2.2 Financial Well-Being Reflecting Young Adult Economic Security

Financial well-being emerges from the interaction of resources, obligations, expectations, financial control, and the ability to respond constructively to changing circumstances. Brüggén et al., (2017) emphasise the ability to sustain desired living standards and financial freedom. Netemeyer et al., (2018) separate present money-management stress from expectations of future financial security. These distinctions are particularly important for young adults because objective indicators can be misleading. A graduate with modest income but low debt, regular saving, and strong control may experience greater well-being than a higher earner facing heavy repayment obligations and unstable consumption. Financial well-being therefore includes both current resilience and future orientation. Sabri et al., (2024) provide Malaysian evidence that financial behaviour is central to well-being among young adults, supporting the view that outcomes are shaped by management practices rather than income alone. The life-course approach proposed by Salignac et al., (2020) further shows that financial well-being is embedded in changing personal and environmental conditions. Young adulthood is a transition period in which responsibilities accumulate quickly, making the capacity to anticipate shocks and build buffers especially important. Financial literacy contributes to well-being when it helps individuals convert limited resources into greater control, preparedness, and confidence. The significance of financial well-being reflecting young adult economic security lies in preserving agency when digital systems accelerate financial decisions.

Young adults' understanding of financial well-being evolves as they move from dependence toward greater economic responsibility and increasingly complex life choices. Riitsalu et al., (2023) show that perceptions of financial well-being shift across age, with security and freedom taking different relative importance over the life course. For younger adults, financial well-being often involves the ability to manage immediate obligations while preserving options for education, housing, mobility, family formation, entrepreneurship, or career change. Economic pressure can narrow those options and increase reliance on credit. Yusof et al., (2025) illustrate how limited resources among micro-entrepreneurs can affect their capacity to plan and absorb financial shocks. The implication is that financial well-being should be assessed as a dynamic capability outcome rather than a fixed score. It depends on whether individuals can meet current commitments, maintain emergency capacity, avoid unsustainable debt, make progress toward goals, and preserve psychological confidence. Financial literacy is relevant because it supports these processes, but it cannot eliminate structural constraints. A balanced framework must therefore consider both individual decision quality and the economic environment within which those decisions are made. In relation to financial well-being

reflecting young adult economic security, literacy creates value by improving control over financial commitments. Financial understanding becomes meaningful only when it is converted into sound judgement during actual financial decisions.

2.3 Digital Financial Literacy Strengthening Responsible Fintech Participation

Digital financial literacy broadens conventional literacy by adding capabilities required to navigate digital financial services safely, critically, and efficiently. Wan Nawang and Abdul Shukor (2023) identify awareness, knowledge, and risk dimensions among Malaysian young adults. Low et al., (2023) emphasise the growing need to understand digital financial products as access expands. This capability involves more than operating an app. Users must understand transaction costs, credit terms, authentication, privacy, fraud indicators, automated recommendations, and the limits of platform-provided information. Abdallah et al., (2025) show that digital financial literacy is associated with stronger financial behaviour. Lone et al., (2025) connect digital literacy with financial well-being. These relationships are important because fintech can reduce practical barriers to saving, investing, transferring, or obtaining financial information. However, low-friction access can also increase the frequency of decisions and expose users to products they would not encounter in traditional channels. Digital financial literacy therefore concerns the quality of participation rather than participation itself. For young adults, effective fintech use requires the ability to combine convenience with risk evaluation, deliberate product selection, and protection against errors that can quickly affect limited financial resources. The broader lesson from digital financial literacy strengthening responsible fintech participation is that responsible participation requires deliberate financial decision processes.

Digital financial capability develops through continuous technological learning rather than through access to financial applications alone. Yusof (2025) explains that technology adoption becomes more effective when it is accompanied by learning, adaptation, and capability development. Yusof et al., (2025) further show the importance of technological learning in strengthening the ability to use digital systems effectively. The same principle applies to personal finance. A young adult who can open an investment account in minutes still needs to understand volatility, fees, diversification, and suitability before making a sound decision. Likewise, e-wallet rewards or automated credit limits may encourage usage without strengthening financial understanding. The digital environment can therefore create a false equivalence between technical fluency and financial competence. This is particularly relevant to Generation Z, whose familiarity with digital platforms may reduce perceived complexity even when financial consequences remain significant. Financial literacy in the digital economy must consequently include platform awareness, data protection, product comparison, and scepticism toward persuasive design. The central issue is whether technology expands financial agency or merely increases the speed of poorly evaluated decisions. Capability is achieved when users can exploit digital convenience while retaining deliberate control over financial outcomes. In relation to digital financial literacy strengthening responsible fintech participation, literacy creates value by improving control over financial commitments. Sustainable improvement therefore requires a combination of knowledge, behavioural discipline, risk recognition, supportive financial environments, and institutional practices that make prudent choices easier to understand and maintain.

2.4 Financial Behaviour Strengthening Self-Control Responsible Decision Quality

Financial behaviour provides the practical channel through which literacy is converted into observable financial outcomes. Knowledge can inform intentions, but budgeting, saving, repayment, comparison, and monitoring are the behaviours that accumulate into financial resilience. Xiao and Porto (2017) show that behaviour and capability mediate the relationship between financial education and financial satisfaction. Sabri et al., (2024) identify behaviour as an important predictor of well-being among Malaysian young adults. This distinction explains why information-focused interventions may underperform when they fail to alter routines. Young adults face repeated small decisions that can collectively have substantial consequences, particularly in environments where digital payments make expenditure less noticeable. Behavioural discipline therefore includes setting spending boundaries, automating saving, reviewing transactions, avoiding unnecessary revolving credit, and matching financial products to actual goals. Financial literacy strengthens these behaviours when it makes trade-offs visible and provides a framework for evaluating opportunity cost. The strongest capability is not the ability to recall financial rules but the ability to apply them consistently across routine decisions. In this sense, financial well-being depends on the repeated translation of knowledge into action over time. In relation to financial behaviour strengthening self-control responsible decision quality, literacy creates value by improving control over financial commitments. A stronger policy and educational approach therefore connects financial learning with actual decisions rather than treating literacy as a static body of concepts that remains separate from everyday digital financial practice.

Self-control becomes especially important when digital purchasing systems remove friction and shorten the interval between desire and payment. Strömbäck et al., (2017) find that stronger self-control is associated with better financial behaviour, greater saving, and lower financial anxiety. This helps explain why two individuals with similar financial knowledge may experience different outcomes. Digital commerce can intensify the challenge through one-click purchasing, personalised promotions, saved payment credentials, and continuous exposure to consumption cues. Yusof et al., (2025) show that TikTok Shop can influence consumer engagement and purchasing behaviour within digital commercial environments. Research on automated retail also demonstrates how technological convenience can reshape consumer behaviour. Yusof et al., (2025) illustrate how automated retail systems can influence market trends and purchasing decisions. Self-control should therefore not be treated only as a personal trait. Behavioural systems can support it through transaction alerts, spending limits, cooling-off periods, separate savings accounts, and default automation. Financial literacy becomes more effective when it helps young adults design such systems before temptation occurs. The analytical emphasis shifts from expecting perfect discipline to creating routines and environments that reduce the number of difficult decisions requiring willpower. The policy relevance of financial behaviour strengthening self-control responsible decision quality increases when learning connects directly with consequential financial choices. Such integration also recognises that young adults differ in income stability, family support, prior financial socialisation, digital access, and exposure to commercial influence, so identical information will not necessarily produce identical outcomes.

2.5 Financial Socialisation Shaping Economic Pressure Digital Consumption

Financial capability develops within social environments that shape attitudes, norms, confidence, and everyday money-management behaviour. Gudmunson and Danes (2011) explain how family

financial socialisation shapes attitudes, knowledge, and behaviour long before individuals begin making fully independent financial decisions. Young adults also learn through peers, university experiences, employment, social media, and commercial influencers, which indicates that financial norms can be reinforced or distorted through multiple channels. Kamarudin et al., (2025) show the value of hands-on learning among university students, illustrating how experiential approaches can strengthen applied capability. In digital settings, social learning is particularly powerful because spending, investing, and lifestyle choices are highly visible. Advice may be embedded in entertainment, influencer content, or peer discussion without clear distinction between education and promotion. This can broaden exposure to financial ideas, but it also creates the possibility that popularity substitutes for evidence. Financial literacy therefore includes the capacity to evaluate the source, incentive, and relevance of advice. Young adults need to distinguish between social proof and financial suitability. Socialisation can strengthen well-being when it normalises planning, saving, and informed questioning, but it can weaken well-being when status consumption, speculative behaviour, or easy credit become socially rewarded. A stronger approach to financial socialisation shaping economic pressure digital consumption combines individual capability with clearer costs, risks, and consequences. The significance of financial socialisation shaping economic pressure digital consumption lies in preserving agency when digital systems accelerate financial decisions.

Economic pressure changes the consequences of financial mistakes by reducing the resources available to absorb unexpected costs or recover from poor decisions. Young adults with unstable earnings or limited family support have less room to absorb unexpected costs, making emergency saving and debt management especially important. Yusof et al., (2025) show that access to finance can create opportunities when users possess suitable financial capability. Digital participation can also widen economic opportunities. Yusof et al., (2025) demonstrate that digital participation can support innovation and improve economic involvement. Technological learning provides another pathway for strengthening financial and economic capability. Yusof et al., (2025) explain how technological learning can support economic growth and stronger resource management. Yet the same digital economy can intensify consumption expectations by continuously displaying lifestyles, products, and financial success narratives. Financial well-being therefore depends partly on the ability to separate personal goals from externally generated benchmarks. Literacy supports this separation by making trade-offs explicit and by encouraging realistic planning based on actual resources. A socially and economically grounded approach avoids blaming individuals for every financial difficulty while still recognising the value of stronger decision capability. Young adults need both supportive environments and practical tools for exercising financial agency under real constraints. The central concern is not whether digital finance should be avoided, but whether users possess sufficient knowledge, judgement, and self-regulation to convert convenient access into choices that improve rather than weaken long-term financial security. For financial socialisation shaping economic pressure digital consumption, durable well-being depends on realistic goals, timely information, discipline, and credible safeguards.

3.0 DIGITAL ECONOMY PRESSURES WEAKENING YOUNG ADULT FINANCIAL WELL-BEING

The digital economy broadens financial participation while intensifying pressures that can separate financial knowledge from sustainable outcomes. Five challenges are particularly important for

young adults: easy access to credit, algorithmically stimulated consumption, exposure to fraud and data risk, unstable economic conditions, and a persistent gap between knowledge and behaviour. These pressures are interconnected rather than isolated. Credit can amplify impulsive consumption, financial stress can weaken self-control, digital fraud can erode scarce savings, and product complexity can make financial knowledge difficult to apply. The argument therefore rejects the assumption that poor outcomes simply reflect insufficient knowledge. It examines the conditions under which financially aware young adults may still struggle to maintain control, resilience, and confidence.

3.1 Easy Credit Exposure Increasing Deferred Payment Vulnerability

Digital credit changes borrowing by reducing transaction friction while separating immediate consumption from the future burden of repayment. Credit cards, app-based instalments, e-commerce financing, and other deferred-payment mechanisms can make purchases appear affordable by separating immediate consumption from future repayment. For young adults, this convenience is attractive when income is limited or irregular, but it can also weaken awareness of total obligations. Financial literacy should help users evaluate interest, fees, repayment schedules, and the cumulative burden of multiple small commitments. Lusardi and Mitchell (2014) show why understanding borrowing costs is central to financial decision quality, yet the digital context adds behavioural complexity because approval and checkout processes can be completed rapidly. Zaini et al., (2026) demonstrate that Generation Z spending is influenced by digital commerce and consumer review environments, where social validation and convenience can reinforce purchasing. The challenge is therefore not access to credit itself but the possibility that digital design masks its intertemporal cost. When young adults evaluate affordability using the monthly instalment rather than the total cost and existing obligations, they can gradually reduce future financial flexibility. Easy credit becomes a threat to well-being when repayment capacity is assumed rather than calculated and when short-term convenience systematically displaces longer-term financial goals. The policy relevance of easy credit exposure increasing deferred payment vulnerability increases when learning connects directly with consequential financial choices.

Deferred payment becomes more consequential when repayment commitments interact with unstable income, limited savings, or existing financial stress. A young adult may use credit to smooth cash flow during periods of income volatility, but repeated reliance can turn temporary support into persistent repayment pressure. Netemeyer et al., (2018) show that current money-management stress is a major component of perceived financial well-being, which means that even manageable debt can reduce well-being when obligations create uncertainty or loss of control. Financial literacy alone may not prevent this outcome if users underestimate future expenses or overestimate income stability. The problem is intensified when several platforms provide separate credit limits, making total exposure difficult to monitor. Behaviourally informed financial management therefore requires consolidated tracking, realistic debt-service thresholds, and explicit consideration of opportunity cost. Financial service design also matters. Transparent presentation of total repayment, late-payment consequences, and existing commitments can support better decisions. Without such safeguards, financial inclusion may become credit expansion without capability. The wider implication is that digital credit should be evaluated by whether it supports productive flexibility while preserving future agency, not merely by how easily it can be accessed. For easy credit exposure increasing deferred payment vulnerability, financial understanding should shape repeated decisions

rather than remain abstract. For easy credit exposure increasing deferred payment vulnerability, durable well-being depends on realistic goals, timely information, discipline, and credible safeguards.

3.2 Algorithmic Consumption Stimulating Impulsive Young Adult Spending

Algorithmically personalised commerce can intensify impulsive spending by compressing the distance between product exposure, desire, and payment. Recommendation systems, limited-time offers, influencer endorsements, social proof, and saved payment methods compress the distance between desire and transaction. This matters for financial well-being because repeated low-value purchases can undermine budgeting without appearing individually significant. Strömbäck et al., (2017) show that self-control is closely related to financial behaviour and well-being, suggesting that high-frequency consumption environments can be especially challenging for users with weak behavioural routines. Research on social commerce indicates that technological design can shape consumer engagement and purchasing patterns. Yusof et al., (2025) demonstrate how digital commercial environments influence purchasing behaviour. Financial literacy can make users aware of affordability and opportunity cost, but awareness may be overridden when spending cues are immediate and emotionally salient. The key challenge is therefore attention. Young adults are asked to exercise long-term financial judgement inside platforms optimised for short-term conversion. This creates a structural tension between financial well-being and commercial design that cannot be solved by information alone. Analysis of algorithmic consumption stimulating impulsive young adult spending shows that similar information can produce different outcomes across unequal circumstances. Financial understanding should shape repeated decisions rather than remain abstract.

Algorithmic consumption also reshapes perceived financial norms by repeatedly displaying products, lifestyles, investment claims, and success narratives. Personalised feeds can make high spending appear common and financially attainable. This can shift perceived benchmarks and create pressure to spend to maintain identity or social belonging. Digital mobility and online participation studies illustrate how deeply platform environments are integrated into young adult routines. Yusof et al., (2025) demonstrate the influence of digital platforms on young adult routines. The problem is not that young users lack awareness of advertising, but that continuous exposure can alter preferences before a deliberate financial decision begins. A literacy model focused only on product knowledge therefore misses the role of attention, identity, and behavioural influence. Financial well-being requires mechanisms that reintroduce reflection, such as waiting periods, category budgets, transaction summaries, and separation between discretionary funds and core obligations. The strategic implication is that responsible financial behaviour must be designed for the environments in which young adults actually spend. Financial education that ignores algorithmic influence risks teaching rational principles while leaving the strongest behavioural pressures untouched. A stronger approach combines individual capability with clearer costs, risks, and consequences. Resilience improves when practical tools reduce impulsive or poorly informed choices.

3.3 Digital Fraud Risks Increasing Financial Vulnerability Exposure

Digital finance increases exposure to fraud because financial activity now depends on interconnected accounts, devices, messages, applications, and identity data. Phishing, account takeover, impersonation, fake investment opportunities, fraudulent merchants, and social engineering can convert a single judgement error into immediate financial loss. Young adults may be technologically

confident while still lacking specialised knowledge about financial scams, authentication, or data protection. Wan Nawang and Abdul Shukor (2023) identify financial risk awareness as a core dimension of digital financial literacy. Low et al., (2023) similarly emphasise the need for digital capability as financial services migrate online. Yusof and Razali (2020) show that risk perception and judgement matter under uncertainty, which is directly relevant when digital transactions require rapid evaluation. Financial well-being is therefore linked not only to earning and budgeting but also to the ability to avoid preventable losses. A financially literate user must question urgency, verify identities, recognise unrealistic returns, protect credentials, and understand the consequences of sharing personal information. These are applied judgement skills rather than abstract knowledge. Digital financial literacy becomes incomplete if it teaches how to use financial products without teaching how to recognise when the digital environment itself is unsafe. The policy relevance of digital fraud risks increases when learning connects directly with consequential financial choices. A stronger approach combines individual capability with clearer costs, risks, and consequences.

Financial data risk creates a separate vulnerability because digital platforms continuously collect information that may be exploited even without direct account theft. Ethical management of technology is therefore directly relevant to financial trust and consumer protection. Yusof and Abd Wahab (2021) argue that technological transformation must be balanced with ethical considerations. Yusof et al., (2026) emphasise governance and accountability in sustainable organisational development. For young adults, weak understanding of privacy permissions, data sharing, or third-party access can create vulnerabilities even when no immediate fraud occurs. Financial institutions and platforms also shape risk through interface design and security communication. If warnings are generic, frequent, or difficult to understand, users may ignore them. The strategic challenge is to build security habits that are simple enough to sustain but strong enough to prevent high-impact errors. This includes multi-factor authentication, transaction alerts, verification routines, and scepticism toward unsolicited financial opportunities. Financial well-being depends partly on preserving accumulated resources, so fraud prevention should be treated as a core financial capability rather than a separate cybersecurity topic. The significance of digital fraud risk lies in preserving agency when digital systems accelerate financial decisions. Reducing vulnerability requires stronger user capability, transparent safeguards, and practical controls that expose risk signals early.

3.4 Income Instability Intensifying Young Adult Living Cost Pressure

Financial literacy operates within economic constraints that can limit the effectiveness of otherwise sound financial knowledge and intentions. Young adults may understand budgeting and saving principles but still struggle when income is unstable, housing costs are high, or essential expenses consume a large share of earnings. Salignac et al., (2020) stress that financial well-being is shaped by environmental as well as individual factors. Sabri et al., (2024) show the importance of financial behaviour among Malaysian young adults. The analytical problem is that financial education can appear ineffective when structural pressure leaves little discretionary income to manage. In such circumstances, literacy remains valuable because it can improve prioritisation, debt avoidance, and use of available financial products, but it cannot substitute for adequate resources. Evidence on socioeconomic constraints among women entrepreneurs similarly demonstrates how limited resources restrict growth and resilience. Yusof et al., (2025) show that financial constraints can restrict business growth and resilience. The implication is that financial well-being should be

interpreted relative to financial demands and available buffers. Young adults facing volatile employment require stronger emergency planning and flexible budgeting than those with predictable income. Financial capability must therefore be adaptive, helping individuals manage uncertainty without implying that every financial difficulty results from poor personal choices. The significance of income instability lies in preserving agency when digital systems accelerate financial decisions. Similar information can produce different outcomes across unequal circumstances.

Rising living costs can increase reliance on short-term digital financial solutions when regular income is insufficient to cover immediate obligations. When savings are insufficient, young adults may rely on instalment credit, salary advances, or informal borrowing to bridge temporary gaps. These responses can be rational in the short term but damaging when repeated, especially if fees or obligations accumulate across platforms. Riitsalu et al., (2023) show that financial well-being is experienced differently across life stages, reinforcing the importance of context when judging financial security. The digital economy can support resilience through easier access to information, automated savings, and low-cost financial services, yet it can also normalise frequent borrowing. Financial inclusion should therefore be assessed by quality of use, not product ownership alone. Grohmann et al., (2018) show that financial capability supports effective financial inclusion. Yusof et al., (2025) further emphasise the role of capability in digital financial participation. The strategic challenge is to help young adults maintain a buffer between recurring obligations and volatile income. Without that buffer, even financially literate users may remain exposed to shocks that quickly weaken both objective financial position and perceived well-being. Within income instability, financial knowledge must guide choices that protect stability and future flexibility. Capability requires applying knowledge despite uncertainty, convenience cues, and social pressure.

3.5 Financial Knowledge Behaviour Gaps Weakening Digital Decision Quality

The knowledge-behaviour gap remains one of the strongest barriers to converting financial literacy into sustainable financial well-being. Fernandes et al., (2014) show that financial education effects can decline over time and may explain only a limited share of behaviour when learning is detached from the moment of decision. This finding does not make education irrelevant, but it changes how effective financial capability should be designed. Young adults may understand that saving is important yet fail to automate it, know that high-cost credit is risky yet accept instalments during checkout, or recognise fraud principles yet respond to a convincing urgent message. The problem is therefore implementation. Digital environments magnify this gap because decisions occur frequently, quickly, and often in emotionally engaging contexts. Abdallah et al., (2025) find that digital financial literacy is related to financial behaviour, suggesting that practical digital knowledge can narrow the gap. However, capability must still be reinforced through routine. The challenge for education and financial service design is to convert general principles into prompts, defaults, and systems that operate when attention is limited. Knowledge must become executable behaviour rather than remain stored information. The significance of the financial knowledge-behaviour gap lies in preserving agency when digital systems accelerate financial decisions. Responsible participation requires deliberate financial decision processes.

Confidence, habit, social influence, and decision context further shape whether financial knowledge is activated when a choice is made. Riitsalu and Murakas (2019) show the importance of subjective knowledge and prudent behaviour for financial well-being. Gudmunson and Danes (2011)

demonstrate that financial norms are socially learned. Young adults who grew up with limited opportunities to discuss budgeting, credit, or investment may therefore require more than formal instruction. Experiential learning can help because it connects concepts with choices. Kamarudin et al., (2025) illustrate the value of hands-on university learning approaches. Digital tools can strengthen this process if they provide feedback, goal tracking, and realistic simulations, but poorly designed tools can become another source of information overload. The strategic implication is that capability-building should be sequenced around real transitions such as first employment, first independent housing, first major loan, or first investment account. Just-in-time learning is likely to be more useful than generic one-off exposure because it links knowledge with an immediate decision. Financial well-being improves when education is integrated into the behavioural environment rather than separated from it. The policy relevance of the financial knowledge-behaviour gap increases when learning connects directly with consequential financial choices. Financial knowledge must guide choices that protect stability and future flexibility.

4.0 FINANCIAL LITERACY MECHANISMS STRENGTHENING YOUNG ADULT WELL-BEING

Financial literacy improves well-being through mechanisms that convert understanding into disciplined action, risk management, confidence, and future-oriented choices. This discussion interprets the five challenges identified earlier by examining budgeting and saving discipline, self-control under digital spending cues, risk recognition, financial confidence, and alignment between digital financial use and long-term goals. These mechanisms explain why two young adults with similar knowledge can experience different outcomes. Financial capability depends on whether knowledge is available at the moment of decision, whether systems support deliberate behaviour, and whether individuals can resist short-term incentives that conflict with future security. The analysis also recognises that financial environments can either reinforce or undermine personal capability. Literacy therefore operates most effectively when behavioural routines and institutional conditions make prudent decisions practical and repeatable.

4.1 Financial Knowledge Strengthening Consistent Budgeting Saving Discipline

The first mechanism is the translation of financial knowledge into consistent budgeting and saving behaviour. Budgeting makes trade-offs visible, while saving creates a buffer that reduces the effect of income shocks and unplanned expenditure. Wan Nawang (2025) shows that financial awareness and knowledge contribute to attitudes and behaviours associated with stronger well-being among young Malaysians. This supports a mechanism in which literacy improves well-being indirectly by shaping what individuals consistently do. The critical issue is implementation. A budgeting system that requires constant manual attention may fail in a high-frequency digital spending environment, whereas automated categorisation, savings transfers, and threshold alerts can reduce cognitive burden. Financial technology therefore becomes beneficial when it supports rather than replaces financial discipline. Yusof (2025) shows more broadly that technology adoption produces value when accompanied by capability and sustainable use. For young adults, the best budgeting systems are likely to be simple enough to maintain, flexible enough to accommodate irregular income, and explicit about priorities. Financial knowledge creates the criteria, but behavioural systems convert those criteria into repeated action. This is how literacy begins to influence financial security rather than remaining a theoretical understanding. Financial understanding should shape repeated decisions rather than remain abstract.

Saving discipline also changes how young adults experience financial security by creating visible evidence of preparedness and control. Netemeyer et al., (2018) identify current money-management stress and expected future financial security as central components of perceived financial well-being. Even modest emergency savings can therefore improve well-being by increasing perceived control and reducing uncertainty. The mechanism is cumulative. Regular saving lowers dependence on expensive credit, creates capacity to manage shocks, and preserves options for future goals. Yet young adults may postpone saving because future benefits are less noticeable than immediate consumption. Automated saving can counter this bias by moving the decision earlier, before discretionary spending occurs. Financial literacy helps individuals choose an appropriate target and understand the opportunity cost of not saving, while digital tools make the routine easier to execute. The key analytical point is that budgeting and saving are not separate from literacy. They are the behavioural infrastructure through which literacy affects outcomes. An intervention that increases knowledge without helping users establish repeatable allocation routines may produce limited well-being gains. Sustainable capability requires knowledge to be embedded within systems that continue to operate when motivation or attention fluctuates. Capability requires applying knowledge despite uncertainty, convenience cues, and social pressure. Responsible participation requires deliberate financial decision processes.

4.2 Financial Self-Control Limiting Harmful Digital Spending Impulses

Self-control represents a second mechanism because many digital financial choices occur under immediate commercial or emotional pressure. Strömbäck et al., (2017) show that stronger self-control predicts better financial behaviour and greater well-being, indicating that the ability to resist immediate consumption has long-term consequences. Expecting young adults to rely on willpower alone is unrealistic when shopping platforms, social media, and payment systems reduce friction. The stronger mechanism is precommitment. Spending caps, cooling-off rules, separate accounts, blocked merchant categories, and delayed checkout can protect goals before persuasive cues appear. Financial literacy supports these tools by helping users identify which categories create the greatest opportunity cost. Zaini et al., (2026) show that Generation Z spending is shaped within modern digital commerce, reinforcing the need to design self-control for platform environments rather than traditional cash contexts. This approach reframes self-control as a capability that can be supported by systems. Young adults should not need to make every prudent decision from first principles. Good financial design reduces the frequency of high-conflict choices and makes long-term priorities easier to maintain. Resilience improves when practical tools reduce impulsive or poorly informed choices. The significance of financial self-control lies in preserving agency when digital systems accelerate financial decisions.

Attention management is equally important because digital environments can repeatedly redirect users toward spending cues, promotions, and comparison-based consumption. Algorithmic feeds can increase exposure to purchases that were not previously considered, creating needs through repeated visibility rather than deliberate search. Yusof et al., (2025) show that social commerce engagement strategies can shape consumer behaviour. Financial literacy helps users evaluate affordability, but self-control requires a pause between desire and payment. A practical capability model therefore encourages young adults to use transaction notifications, weekly spending reviews, wish lists instead of immediate purchases, and category limits that reflect personal priorities. These practices

reintroduce friction where platforms have removed it. The broader implication is that digital financial well-being depends partly on whether users can manage the architecture of choice around them. Behaviourally informed literacy teaches not only what a sound decision looks like but also how to create conditions under which that decision is more likely. This mechanism is especially important because repeated minor overspending can gradually weaken savings and increase stress without producing a single obvious financial crisis. Durable well-being depends on realistic goals, timely information, discipline, and credible safeguards. Financial knowledge must guide choices that protect stability and future flexibility.

4.3 Financial Risk Recognition Strengthening Fraud Avoidance Capability

Risk recognition connects digital financial literacy with well-being by helping users identify threats before losses become difficult to reverse. Financial knowledge is insufficient if users cannot identify suspicious messages, false urgency, unrealistic returns, or insecure transaction requests. Wan Nawang and Abdul Shukor (2023) place risk awareness within the digital financial literacy domain. Low et al., (2023) further show that safe participation is an important part of digital financial capability. The mechanism operates through verification habits. Young adults who pause to verify senders, access financial services through trusted channels, and question unusual requests are less dependent on intuition in high-pressure situations. Financial well-being benefits because fraud losses can have disproportionate effects on individuals with limited savings. The same logic applies to unsuitable investment risk. Literacy should help users distinguish volatility from fraud, evaluate whether potential returns match risk, and understand when diversification or professional advice is appropriate. Risk capability therefore combines technical understanding with behavioural scepticism. The digital economy rewards speed, but financial security often requires deliberate verification. A financially literate user should be able to slow the process precisely when urgency is being used to bypass judgement. Financial understanding should shape repeated decisions rather than remain abstract. Durable well-being depends on realistic goals, timely information, discipline, and credible safeguards.

Institutional trust and governance influence risk management because users depend on financial platforms to provide credible information, security, and accessible redress. Yusof et al., (2026) emphasise ethical accountability in organisational development. Yusof and Abd Wahab (2021) show the importance of balancing technology with ethical practice. In financial services, trustworthy design includes clear security communication, transparent permissions, accessible dispute procedures, and warnings that appear at meaningful moments rather than as generic legal text. Young adults cannot carry the full burden of risk if platforms make harmful choices difficult to detect. Financial well-being therefore depends on shared responsibility between consumer capability and institutional safeguards. Education should teach verification and data protection, while providers should reduce unnecessary complexity and monitor suspicious patterns. The strategic advantage of this combined approach is resilience. Users become better able to prevent fraud, and institutions become better able to interrupt errors before they become losses. Digital financial literacy is strongest when self-protection is embedded in both personal behaviour and system design rather than treated as an optional addition to product access. Similar information can produce different outcomes across unequal circumstances. Fraud avoidance becomes more sustainable when institutional protection, timely warnings, realistic risk assessment, and disciplined behaviour operate together. Resilience improves when practical tools reduce impulsive or poorly informed choices.

4.4 Financial Confidence Strengthening Resilient Young Adult Decision-Making Capability

Financial confidence determines whether knowledge is used decisively, but confidence must remain calibrated to the complexity and uncertainty of each decision. Riitsalu and Murakas (2019) show that subjective knowledge has a strong relationship with financial well-being. Netemeyer et al., (2018) connect financial security and money-management stress with broader well-being. Confidence can therefore support resilience by reducing avoidance and encouraging individuals to confront financial decisions early. Yet confidence must be calibrated. Overconfidence may lead young adults to trade excessively, borrow without fully understanding the terms, or accept social media advice without verification. Financial literacy improves decision resilience when it strengthens both competence and awareness of limitations. Practical exercises, scenario analysis, and comparison tasks can help users recognise when they understand a decision and when they need additional support. Kamarudin et al., (2025) show that hands-on learning can strengthen the transition from knowledge to capability. The mechanism is important because financial stress often encourages avoidance, and avoidance can worsen problems through missed payments, unreviewed subscriptions, or delayed debt management. Resilient confidence involves being willing to engage with difficult decisions without assuming that every decision can be solved alone. Similar information can produce different outcomes across unequal circumstances. Financial understanding should shape repeated decisions rather than remain abstract.

Decision resilience also requires young adults to revise financial plans when income, obligations, goals, or economic conditions change. Young adults may experience job transitions, income shocks, family obligations, or unexpected expenses that make previous plans unrealistic. A rigid budget can fail under such conditions, whereas a capability-based approach prioritises core obligations, liquidity, and preservation of future options. Salignac et al., (2020) support an ecological life-course view in which financial well-being changes with environmental conditions and life stage. Digital tools can strengthen resilience by providing real-time information, forecasting, and scenario planning, but users must understand the assumptions behind those tools. Yusof et al., (2025) show that stability improves when technology is integrated with broader capability rather than adopted in isolation. Financial confidence is therefore not simply a feeling of certainty. It is the ability to reassess, seek information, revise plans, and continue making decisions under uncertainty. That form of confidence is more closely aligned with sustainable financial well-being than either excessive certainty or chronic avoidance. Capability requires applying knowledge despite uncertainty, convenience cues, and social pressure. Durable well-being depends on realistic goals, timely information, discipline, and credible safeguards.

4.5 Digital Financial Practices Supporting Long-Term Goal Alignment

Goal alignment is the final mechanism because digital financial tools can either reinforce long-term priorities or continuously divert attention toward immediate consumption. Digital finance can make saving, investing, payments, and borrowing easier, but ease has strategic value only when products support the user's longer-term priorities. Lone et al., (2025) connect digital financial literacy with financial well-being, reinforcing the importance of choosing and using digital services in ways that improve financial outcomes. Goal alignment requires young adults to identify what matters, translate broad ambitions into financial targets, and evaluate products according to those targets rather than promotional appeal. A savings app is useful if it increases emergency capacity. An investment platform is useful if the product matches risk tolerance and time horizon. Credit is useful if

repayment does not crowd out essential goals. Financial literacy provides the evaluative framework, while digital tools provide execution capability. Without alignment, fintech can increase activity without improving well-being. The mechanism therefore shifts attention from product adoption to purposeful use. Financial participation should be judged by whether it increases control, security, and progress toward valued objectives rather than by the number of services used. Similar information can produce different outcomes across unequal circumstances. Financial knowledge must guide choices that protect stability and future flexibility.

Clear goal alignment also protects young adults from commercially generated priorities that encourage spending unrelated to their own financial objectives. Digital platforms can encourage users to treat consumption, speculation, or visible financial success as default objectives. Yusof (2026) shows that technology can create opportunities when users apply it strategically. Yusof et al., (2025) similarly demonstrate the value of purposeful digital participation. The same principle applies to personal finance. Young adults need to distinguish between externally promoted goals and personally meaningful ones. A deliberate financial plan creates a clear basis for evaluating new products, offers, and spending opportunities. This reduces the risk that convenience or social comparison continually redirects resources away from longer-term security. The mechanism also supports psychological well-being because progress becomes measurable against self-defined priorities rather than an unstable social benchmark. Digital financial literacy is therefore not simply the ability to navigate financial technology. It is the ability to make technology serve a coherent financial strategy. When this alignment is present, digital finance can expand agency. When it is absent, increased access can produce fragmented and reactive behaviour. Financial understanding should shape repeated decisions rather than remain abstract. Capability requires applying knowledge despite uncertainty, convenience cues, and social pressure.

5.0 CAPABILITY PATHWAYS STRENGTHENING SUSTAINABLE YOUNG ADULT FINANCIAL WELL-BEING

Improving young adult financial well-being requires coordinated pathways that move literacy from abstract knowledge into routine financial practice. The five pathways developed here focus on higher education, behavioural budgeting and saving systems, fraud and consumer protection, responsible fintech and credit use, and integrated financial coaching supported by digital tools. Each pathway combines what should be done with mechanisms for implementation and longer-term value. The objective is not to increase financial information in isolation but to build usable capability at the points where decisions are actually made. Effective interventions should therefore be timely, personalised where possible, connected with real financial tasks, and supported by transparent digital environments. This approach treats financial well-being as a shared outcome shaped by individual agency, education, financial service design, consumer safeguards, and the broader economic context.

5.1 Higher Education Curricula Embedding Digital Financial Literacy Capabilities

Higher education should integrate digital financial literacy across student learning rather than confine it to optional workshops or isolated finance modules. Young adults often encounter major financial transitions during university or shortly after graduation, including education financing, first salaries, rental commitments, insurance, credit, and investment. Financial learning is therefore most useful when connected with these decisions. Fernandes et al., (2014) caution that education separated from later behaviour can have weak effects. Xiao and Porto (2017) show that literacy, behaviour,

and capability mediate the path from education to financial satisfaction. Institutions should respond by using applied modules, simulations, budgeting tasks, fraud scenarios, product comparisons, and real-life decision cases. Kamarudin et al., (2025) demonstrate the value of hands-on learning among university students, supporting an experiential approach. The capability required is not advanced financial expertise but practical judgement. Students should leave higher education able to compare credit, construct a basic emergency plan, evaluate digital financial products, identify fraud, and understand the effect of financial decisions on future flexibility. Embedding these skills across student support, employability programmes, entrepreneurship education, and orientation can make financial capability part of the transition to adulthood rather than an isolated extracurricular topic. Sustainable outcomes require informed judgement and practical routines.

Just-in-time financial learning can strengthen curriculum-based education by delivering relevant guidance when students face specific financial decisions. Different financial topics become relevant at different moments, so a first-year student does not need the same intervention as a graduating student entering employment. Institutions can sequence content around common transitions and provide digital tools that allow students to revisit material when a decision becomes immediate. Low et al., (2023) show that digital financial literacy is especially relevant to young adults. Wan Nawang and Abdul Shukor (2023) further demonstrate the importance of context-specific financial education. Universities should also collaborate with financial educators and consumer specialists while maintaining clear boundaries against commercial promotion. Student financial education loses credibility if learning is tied to product sales. The expected outcome is greater confidence, stronger budgeting and saving behaviour, and lower vulnerability to unsuitable credit or scams. Over the longer term, this pathway can improve graduate readiness because financial stability affects career choice, mobility, entrepreneurship, and the ability to manage periods of transition. Financial well-being should therefore be recognised as part of broader graduate capability in a digital economy. Timely financial guidance works best when students receive practical support near the decisions that require disciplined judgement. The policy relevance of higher education curricula increases when learning connects directly with consequential financial choices.

5.2 Behavioural Budgeting Systems Strengthening Consistent Saving Discipline

Young adults benefit from budgeting and saving systems that reduce dependence on memory, motivation, and repeated willpower. The core principle is to convert financial intentions into defaults and routines. Sabri et al., (2024) show that financial behaviour is central to well-being among Malaysian young adults. Strömbäck et al., (2017) connect self-control with better financial outcomes. Practical systems can include automatic transfers on payday, separate accounts for fixed obligations and discretionary spending, weekly transaction reviews, spending alerts, and emergency fund targets that increase gradually. Digital finance makes these mechanisms easier to implement because automation can occur at low cost. The capability required is the ability to set realistic rules and revise them when income changes. Budgeting should therefore not be framed as restriction but as resource allocation toward priorities. For irregular earners, percentage-based allocations may be more sustainable than fixed amounts. The expected outcome is greater liquidity, lower reliance on short-term debt, and improved confidence about unexpected expenses. Over time, behavioural systems allow financial knowledge to operate consistently even when attention is divided by work, study, family, or digital consumption demands. Financial knowledge must guide choices that protect

stability and future flexibility. The policy relevance of behavioural budgeting systems increases when learning connects directly with consequential financial choices.

Financial service providers can strengthen behavioural budgeting by designing tools that make spending patterns, limits, and saving progress easier to interpret. Budgeting dashboards should highlight total commitments, recurring payments, credit obligations, and progress toward savings goals rather than merely displaying transaction histories. Alerts should be meaningful and customisable so they support decisions instead of becoming background noise. Netemeyer et al., (2018) show that money-management stress is central to perceived financial well-being, suggesting that clear visibility over cash flow can have psychological as well as financial value. Yusof et al., (2025) show that technology creates greater stability when it is integrated with appropriate capability. Providers should therefore design for financial control, not only engagement. Features such as automatic savings escalation, debt payoff planning, and transparent subscription tracking can help users act on literacy. The long-term strategic value is a shift from reactive money management toward anticipatory financial behaviour. Young adults become less dependent on remembering every obligation because the system itself reinforces priorities. This is a practical example of how behavioural design can convert literacy into sustained well-being. Similar information can produce different outcomes across unequal circumstances. Capability requires applying knowledge despite uncertainty, convenience cues, and social pressure.

5.3 Consumer Protection Mechanisms Strengthening Digital Fraud Awareness

Consumer protection and fraud awareness should be treated as core financial capabilities because digital losses can rapidly erode limited savings and confidence. Young adults need repeated exposure to realistic scam scenarios, not only generic warnings. Training should cover phishing, impersonation, fake investment opportunities, account takeover, malicious links, social engineering, and misuse of personal data. Wan Nawang and Abdul Shukor (2023) identify financial risk as a central dimension of digital financial literacy. Abdallah et al., (2025) emphasise the importance of awareness and decision-making in digital financial behaviour. Implementation can include short simulations delivered through universities, employers, banks, and digital financial platforms when new services are activated. The capability required is a verification routine: pause, confirm identity through an independent channel, assess whether urgency is legitimate, and avoid sharing credentials. Users should also understand complaint and recovery procedures so they can respond quickly if an incident occurs. The expected outcome is lower preventable loss and greater confidence in legitimate digital finance. Over time, fraud literacy becomes part of ordinary financial self-management rather than a separate cybersecurity concern. Sustainable outcomes require informed judgement and practical routines. Responsible participation requires deliberate financial decision processes.

Effective protection also depends on institutional accountability because user education cannot compensate for opaque design, weak safeguards, or inaccessible complaint processes. Financial platforms should simplify security controls, provide clear explanations of data use, and design transaction warnings around actual risk. Yusof et al., (2026) emphasise ethical accountability in organisational development. Yusof and Abd Wahab (2021) highlight the need to balance technological transformation with ethical considerations. These principles indicate that providers should not rely on lengthy terms and conditions as evidence that users were adequately informed. Consumer protection is stronger when critical information is visible, comparable, and presented

before commitment. Regulators and providers should also monitor emerging scam patterns and communicate them through channels that young adults actually use. The long-term value of this pathway is trust. Digital financial inclusion can expand sustainably only when users believe that participation is both useful and reasonably safe. Financial literacy equips consumers to recognise risk, but system-level safeguards reduce the probability that a momentary mistake causes disproportionate harm. Shared responsibility therefore produces stronger well-being than either education or regulation acting alone. Resilience improves when practical tools reduce impulsive or poorly informed choices. Credible consumer protection combines platform accountability, accessible complaint channels, transparent safeguards, and informed user responses. Financial knowledge must guide choices that protect stability and future flexibility.

5.4 Responsible Fintech Practices Strengthening Sustainable Credit Management

Responsible fintech participation requires users to evaluate product suitability rather than equating convenience or rapid approval with financial value. Young adults should evaluate digital financial services according to cost, risk, purpose, and contribution to financial goals. Lone et al., (2025) show that digital financial literacy is associated with financial well-being. Grohmann et al., (2018) demonstrate that literacy can strengthen the effective use of financial services. These findings support implementation through comparison tools, transparent total-cost displays, repayment simulations, and prompts that show how a new credit commitment affects existing obligations. Credit interfaces should emphasise total repayment and due dates rather than only the convenience of the next instalment. Investment apps should communicate risk and time horizon clearly rather than treating engagement as success. The capability required is disciplined product selection. Young adults should be able to explain why they are using a service and what financial objective it supports. The expected outcome is more purposeful adoption, lower over-indebtedness, and stronger alignment between digital access and financial security. Responsible fintech is not less digital participation. It is better-quality participation. Resilience improves when practical tools reduce impulsive or poorly informed choices. Sustainable outcomes require informed judgement and practical routines.

Policy makers and financial service providers should also examine how digital incentives influence borrowing, saving, spending, and investment behaviour. Cashback, gamification, referral rewards, and frequent notifications can increase usage without necessarily improving user outcomes. Yusof (2025) demonstrates the influence of technology adoption on user behaviour. Yusof et al., (2025) further illustrate how digital commercial environments can shape consumer engagement. Providers should therefore distinguish engagement metrics from financial well-being metrics. Features that increase transaction frequency may conflict with user goals if they encourage unnecessary spending or speculative behaviour. A stronger model would evaluate whether users maintain repayment capacity, build savings, reduce stress, and avoid harmful financial patterns. Consumer education should similarly teach users to evaluate incentives as marketing rather than free value. The long-term strategic benefit is a digital finance ecosystem in which innovation competes on usefulness, transparency, and consumer outcomes rather than frictionless activity alone. Such an environment allows financial literacy to operate more effectively because product design does not continually work against deliberate financial judgement. Literacy creates value by improving control over financial commitments. Responsible participation requires deliberate financial decision processes.

5.5 Digital Financial Coaching Strengthening Young Adult Decision Capability

Financial coaching can narrow the gap between general financial education and the individual circumstances shaping actual decisions. Young adults often know broad principles but need help prioritising when goals compete, income is unstable, or debt has already accumulated. A coaching model should use digital tools to organise information while preserving human judgement for complex decisions. Wan Nawang (2025) shows that awareness, attitudes, and behaviour interact in shaping financial well-being. Riitsalu and Murakas (2019) highlight the importance of subjective knowledge and confidence. Coaching can strengthen both by helping users interpret their cash flow, identify behavioural patterns, set realistic goals, and choose actions that match their circumstances. Digital dashboards can support progress tracking, scenario testing, and reminders, but they should not replace explanation. The capability required is reflective financial decision-making. Users should understand not only what action is recommended but why it is appropriate and how to adjust it when circumstances change. The expected outcome is greater persistence, confidence, and ability to recover from setbacks. This pathway is especially valuable for young adults who did not receive strong financial socialisation at home. Resilience improves when practical tools reduce impulsive or poorly informed choices. Sustainable outcomes require informed judgement and practical routines.

Financial coaching can be delivered through universities, employers, community programmes, and digital services while preserving individual privacy and choice. Digital coaching systems should allow users to set priorities, identify upcoming obligations, and receive timely prompts tied to real decisions. Grohmann et al., (2018) show that financial access creates value when people can use services effectively. Yusof et al., (2025) demonstrate the importance of sustained capability-building through digital participation. Further evidence shows that technological learning can support stronger financial and economic decisions. Yusof et al., (2025) emphasise the role of technological learning in strengthening adaptive capability. Coaching should therefore be continuous enough to support habit formation but targeted enough to avoid information overload. Privacy and conflicts of interest must also be managed carefully, especially when advice is provided by institutions that sell financial products. The long-term strategic value is adaptive capability. Rather than depending on a fixed set of financial rules, young adults learn how to diagnose their situation, use digital tools critically, and revise financial plans as careers, families, and economic conditions change. That adaptability is central to sustainable financial well-being in a digital economy. Capability requires applying knowledge despite uncertainty, convenience cues, and social pressure. Literacy creates value by improving control over financial commitments.

6.0 CONCLUSION

Financial literacy is necessary for financial well-being, yet knowledge alone cannot guarantee sustainable outcomes in a rapidly changing digital economy. The central argument developed here is that literacy produces value when it becomes an applied capability connecting knowledge, digital judgement, behavioural discipline, and purposeful financial participation. Young adults face a financial environment in which access is expanding faster than experience. Payments, credit, investment, consumption, and advice are increasingly embedded in digital platforms that simplify action while sometimes reducing visibility over cost, risk, and long-term consequences. The analysis therefore positions financial well-being as an outcome of both personal capability and financial context. Strong literacy helps users understand concepts, but budgeting, saving, self-control, fraud avoidance, calibrated confidence, and goal alignment are the mechanisms through which

understanding becomes security. This perspective also clarifies why income alone cannot explain well-being and why education alone may not change behaviour. Financial outcomes emerge from the interaction between resources, habits, socialisation, digital design, and institutional safeguards. For young adults, financial resilience is consequently built through repeated decisions that preserve control today while protecting options for the future. A stronger approach to conclusion combines individual capability with clearer costs, risks, and consequences. In relation to conclusion, literacy creates value by improving control over financial commitments.

Financial education should move closer to the real decisions young adults make through digital platforms, credit systems, savings tools, and commercial environments. Higher education institutions, employers, financial service providers, and consumer-protection systems should support just-in-time learning, behavioural budgeting, automated saving, transparent credit comparison, fraud verification routines, and access to credible financial coaching. Digital tools are valuable when they reduce cognitive burden and reinforce financial priorities, but harmful when they maximise engagement without regard to user outcomes. A capability approach therefore creates shared responsibility. Individuals need knowledge and self-regulation, while institutions need transparent design, ethical data practices, and safeguards that make prudent choices easier to execute. This alignment is especially important because financial mistakes during young adulthood can affect debt capacity, housing options, career mobility, entrepreneurship, and psychological well-being for years. The policy objective should not be to eliminate financial risk or discourage digital innovation. It should be to ensure that greater digital access is accompanied by stronger capability, meaningful protection, and product environments that support rather than undermine long-term financial security. A practical concluding strategy aligns financial education with tools that make prudent digital financial choices easier to sustain. For conclusion, financial understanding should shape repeated decisions rather than remain abstract.

Future research should examine financial literacy and financial well-being as dynamic processes that change across digital environments, life stages, and economic conditions. Longitudinal studies are needed to determine which literacy components produce durable behavioural change and whether digital financial capability remains effective as platforms, artificial intelligence, and embedded finance continue to alter consumer decision environments. Research should also compare young adults with different income stability, family socialisation, educational background, and digital exposure so that interventions can be targeted without assuming a uniform Generation Z experience. The scholarly contribution of the present framework is to connect foundational financial literacy with contemporary digital pressures and to specify the mechanisms through which capability can protect well-being. It moves the debate away from a simple question of whether young adults know enough and toward a more consequential question: whether they can apply what they know when financial decisions are fast, persuasive, data-intensive, and socially embedded. Sustainable financial well-being in the digital economy will depend on that ability to convert knowledge into deliberate, resilient, and future-oriented financial action. Viewed through conclusion, capability requires applying knowledge despite uncertainty, convenience cues, and social pressure. Financial well-being should therefore be evaluated through control, preparedness, decision quality, service access, and confidence about future obligations.

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2. Conflict of Interest

The authors declare that they have no financial, professional, personal, or institutional interests that could have influenced the development, interpretation, or presentation of this article. No competing interests or relationships exist that could reasonably be perceived as compromising the objectivity, academic integrity, or scholarly independence of the work.

3. Author Contribution Statement

Nur Syahirah Afiqah Mohamed Suhaimi: Conceptualization, development of the conceptual framework, literature synthesis, analysis of financial literacy and financial well-being, preparation of the original manuscript, and manuscript revision.

Abdul Aziz Othman: Conceptual refinement, theoretical interpretation, validation of the scholarly arguments, critical review, academic supervision, and manuscript editing.

Both authors contributed substantially to the intellectual development of the article, critically reviewed the manuscript for conceptual coherence and scholarly quality, and approved the final version for publication.

4. Ethics Statement

This article is a conceptual study based exclusively on published scholarly literature and secondary academic sources. It did not involve human participants, surveys, interviews, experiments, interventions, or the collection of personal, confidential, or identifiable data. Accordingly, institutional ethical approval and informed consent were not required. The article was developed in accordance with established principles of academic integrity, responsible scholarship, and appropriate acknowledgement of intellectual contributions. All published sources used in developing the conceptual arguments were appropriately cited, and the authors accept responsibility for the accuracy, integrity, and scholarly presentation of the work.

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