

Challenging the Life Cycle Hypothesis: Behavioural Biases of Generation Z in the Digital Era: A Systematic Literature Review

Sri Hasnawati^{1*} & Ardiansyah Japlani^{2,3}

¹Faculty of Economics and Business, Universitas Lampung

²Doctoral Student, Faculty of Economics and Business, Universitas Lampung

³Faculty of Economics and Business, Universitas Muhammadiyah Metro

Email: sri.hasnawati@feb.unila.ac.id

Abstract

The Life Cycle Hypothesis (LCH) predicts that rational individuals accumulate and decumulate wealth smoothly across their lifespan. Generation Z (born 1997–2012), shaped by digital ecosystems and algorithmic social media, presents a fundamental challenge to this framework. This study conducts a Systematic Literature Review employing a BERTopic computational pipeline to analyse 184 Scopus articles (2018–2026) across five thematic clusters, spanning 127 journals and 2,108 citations. The synthesis demonstrates that Generation Z systematically violates LCH's rationality, optimisation, and consumption-smoothing axioms through cognitive biases, FOMO-driven impulse consumption, platform-displaced saving, and a digital financial literacy paradox. In response, this study proposes the Digital Behavioural Life Cycle Hypothesis (DBLCH), integrating four digitally-specific mechanisms into a revised lifecycle framework with direct implications for financial regulation, platform design, and education policy in emerging markets.

Keywords: life cycle hypothesis, generation Z, behavioural finance, systematic literature review

1. Introduction

Generation Z broadly defined as individuals born between 1997 and 2012 (Dimock, 2019) now constitutes the world's largest consumer cohort, representing 32% of the global population and accounting for 56.43% of Indonesia's capital market investors as of December 2023 (Martaningrat & Kurniawan, 2024). This cohort has entered adulthood in a financial ecosystem defined by commission-free trading applications, cryptocurrency exchanges, Buy Now Pay Later (BNPL) credit instruments, TikTok Shop social commerce, and financial influencers whose algorithmically amplified recommendations reshape investment and consumption behaviour at an unprecedented scale. Understanding how this generation accumulates, invests, and depletes wealth has therefore become one of the most consequential empirical questions in contemporary finance scholarship and a direct test of classical theories of lifecycle financial behaviour, most prominently the Life Cycle Hypothesis (LCH) of Modigliani (1966), which predicts rational, smooth wealth accumulation and decumulation across the human lifespan.

Accumulating empirical evidence from recent high-impact studies establishes that Generation

Z's financial behaviour departs systematically from LCH's predictions across four interconnected domains. In the investment domain, cognitive irrationality is the documented default rather than the exception: retail investor decisions are driven by behavioural resistance and inertia (Seth et al., 2020), overconfidence amplifies excessive trading and generates below-market returns (Parveen et al., 2020; Nair et al., 2023), and Fear of Missing Out (FOMO) functions as a complementary mediator that intensifies both herding and loss aversion in equity and cryptocurrency markets (Gupta & Shrivastava, 2022; Kaur et al., 2024). The novel Barnum effect wherein overconfident investors accept generic influencer claims as personally relevant provides the specific cognitive mechanism through which social media amplifies investment irrationality (Bihari et al., 2025). In the consumption domain, platform architecture generates systematic impulse purchases through micro-celebrity endorsement and hedonic browsing chains (Nguyen et al., 2024; Nugraha et al., 2024), with FOMO strengthening identity-driven luxury consumption beyond any utility-maximising bound (Abdrabbo et al., 2025). In the saving domain, Generation Z saving decisions are determined by social influence and platform affordances rather than intertemporal utility calculation, as demonstrated across Internet Wealth Management (IWM) adoption in China (Hii et al., 2025) and social media-mediated saving behaviour in Indonesia (Anwar, 2025). In the financial literacy domain, the classical corrective mechanism is undermined when social media not formal curricula constitutes the primary financial information environment (Senduk et al., 2025), with financial literacy producing no direct effect on prudent behaviour absent the mediating role of personal financial management practices (U. Ahmad et al., 2025).

Despite the depth of this evidence, two critical gaps persist in the literature. First, no systematic literature review has undertaken a theoretically grounded, computationally rigorous synthesis of how documented behavioural biases among Generation Z collectively challenge the three foundational axioms of LCH full rationality, intertemporal optimisation, and consumption smoothing. Prior systematic reviews have examined overconfidence in isolation across 137 studies (D. Singh et al., 2024) or mapped financial literacy determinants separately across 137 articles (Zaimovic et al., 2023), but no study has synthesised these fragmented, cross-disciplinary literatures into a unified theoretical critique of LCH. Second, no conceptual framework has been proposed that integrates the digitally-specific mechanisms through which Gen Z financial decisions deviate from LCH predictions digital present bias, FOMO-driven consumption, platform-mediated saving, and the digital financial literacy paradox into a revised lifecycle model. This absence is consequential: without such a framework, financial regulators, platform designers, and educators lack a theoretically grounded basis for policy interventions targeting the generation that will constitute the backbone of global consumer and investor markets for the next three decades.

Therefore, this study employs a Systematic Literature Review (SLR) augmented by BERTopic computational topic modelling a machine learning pipeline that provides objective, reproducible cluster identification to synthesise articles from the Scopus database (2018–2026). The study makes two original contributions. Theoretically, it provides the first computationally grounded synthesis of the fragmented Gen Z behavioural finance literature as a unified critique

of LCH, and proposes the Digital Behavioural Life Cycle Hypothesis (DBLCH) a conceptual extension integrating four digitally-specific mechanisms into a revised lifecycle framework. Practically, the DBLCH framework generates actionable implications for financial regulation, digital platform architecture, and financial education policy, with particular contextual relevance for Southeast Asian emerging markets, where 58.1% of the review corpus is geographically concentrated.

Three research questions(RQ) guide this review:

RQ1: What are the dominant thematic clusters in the literature at the intersection of behavioural finance and Generation Z's financial decision-making?

RQ2: To what extent do Generation Z's documented behavioural biases empirically contradict the foundational axioms of the Life Cycle Hypothesis?

RQ3: How can existing theoretical frameworks be extended to better account for the digitally-mediated financial behaviour of Generation Z?

This paper proceeds as follows: Section 2 reviews the theoretical and empirical literature underpinning the study; Section 3 describes the SLR methodology and BERTopic computational pipeline; Section 4 presents and discusses findings, addressing RQ1 in Section 4.2, RQ2 in Sections 4.3, and RQ3 in Section 4.4 through the proposed DBLCH framework; Section 5 concludes with limitations and directions for future research.

2. Literature Review

The LCH posits that individuals solve intertemporal utility maximisation problems, allocating resources to achieve constant marginal utility across all life periods (Modigliani & Brumberg, 1954). Empirical evidence within the T2 cluster confirms partial support: financially literate young adults display greater retirement planning intentions (García Mata, 2021; Park & Martin, 2022), and financial literacy, saving attitude, social influence, and goal clarity all significantly predict retirement planning behaviour (Afthanorhan et al., 2020). However, structural anomalies persist. Student loan debt carries into the decumulation phase rather than being resolved by mid-life (Korankye, 2024); and lifecycle milestones such as homeownership are predicted more strongly by behavioural traits risk tolerance, conscientiousness than by rational wealth optimisation (Letkiewicz & Heckman, 2018), establishing behavioural heterogeneity as a structural feature of lifecycle financial decisions. Shefrin and Thaler (1988) proposed BLCH incorporating mental accounts, self-control deficits, and framing effects. While BLCH advanced explanatory power, it does not account for the algorithmic amplification of present bias, the identity-constructing role of social media in consumption decisions, or the gamification of investment platforms that characterise Generation Z's financial environment. These structural anomalies within classical LCH suggest that behavioural heterogeneity is not incidental but systemic. This conclusion becomes especially compelling when examined through the lens of a generation whose entire financial socialisation has occurred in a digital environment.

Three structural features distinguish Generation Z's financial socialisation. First, digital

nativity: Gen Z experienced formative socialisation through smartphone-mediated environments where algorithmic curation continuously shapes financial information exposure. Second, platform-mediated financial access: all six dimensions of personal financial management spending, credit, saving, cash management, investment, and insurance are now conducted through digital platforms (Chhillar & Arora, 2022), lowering transaction friction while escalating impulsive behaviour. Third, finfluencer culture triggers a transmission effect, where social media acts as a catalyst for financial literacy, collectively driving community investment dynamics and culminating in the final investment decision (Khatik et al., 2021) establishes platform mediation as a structural feature of Gen Z financial decision-making. Indonesian Gen Z finfluencer influence is particularly documented by Martaningrat and Kurniawan (2024), who confirm that financial influencers and the FOMO economy significantly predict investment decisions among the cohort that now constitutes 56.43% of Indonesia's capital market investors. The finfluencer ecosystem that defines this digital financial environment does not merely shape information exposure, it actively cultivates the cognitive biases that drive irrational investment decisions.

A systematic review of 137 studies identifies four antecedent categories of overconfidence demographic characteristics, personality traits, knowledge and experience, and investment features linking it to excessive trading, underdiversification, and below-market returns (D. Singh et al., 2024). Overconfidence mediates representativeness heuristic in emerging market retail investors, producing systematic market overreaction (Parveen et al., 2020). Mobile trading apps adopted by Gen Z en masse further amplify overconfidence: Nair et al. (2023) demonstrate that app use increases trading volumes and generates negative abnormal returns. Multiple biases operate simultaneously: anchoring, availability, herding, sunk cost, and regret avoidance all predict investment intention, with attitude as mediator and risk aversion as moderator Mamidala et al. (2024). The novel Barnum effect investor susceptibility to generic claims personalised by finfluencers is identified as a statistically significant negative predictor of investment quality (Bihari et al., 2025), providing a mechanism for finfluencer manipulation. These investment biases do not operate in isolation; they are compounded by a parallel dynamic in the consumption domain, where platform-mediated FOMO systematically overrides rational spending behaviour.

FOMO 'the pervasive apprehension that others are having rewarding experiences from which one is absent' (Przybylski et al., 2013, p.1841) functions as a structural moderator of consumption decisions. Saavedra and Bautista (2020) demonstrate FOMO's significant influence on Gen Z motivation to purchase masstige brands through self-determination theory pathways. Micro-celebrity authenticity on TikTok Shop drives utilitarian-to-hedonic browsing, culminating in impulse purchases among Indonesian Muslim Gen Z women (Nugraha et al., 2024). FOMO further strengthens the effect of Need for Uniqueness on luxury purchase intention (Abdrabbo et al., 2025), establishing FOMO as an identity-driven amplifier of economically suboptimal consumption. Online reviews and eWOM significantly predict impulse buying tendency among Vietnamese Gen Z, with eWOM mediating the full social information transmission chain (Nguyen et al., 2024). Importantly, FOMO may paradoxically

trigger Fear of Other People's Opinions (FOPO) that suppresses purchasing, revealing bidirectionality in digital consumption psychology (M. D. Putra et al., 2025). If platform architecture drives both irrational investment and impulsive consumption, the natural question is whether the classical corrective mechanism of financial literacy can restore rational behaviour among Generation Z

A systematic review of financial literacy determinants confirms its positive influence on investment, saving, and consumption (Zaimovic et al., 2023), establishing the classical positive relationship. However, formal financial education interventions improve knowledge without guaranteeing behaviour change (Lučić et al., 2020), and financial fragility persists among young adults despite knowledge exposure, with spending behaviour overriding the protective function of literacy (Ramli et al., 2022). The critical failure is documented in the Indonesian context: social media financial information dominates formal curricula for Gen Z students, generating digital financial misconceptions and impulsive spending (Senduk et al., 2025). Ahmad et al. (2025) formalise the mechanism: financial literacy does not directly predict prudent financial behaviour the relationship is fully mediated by personal financial management, suggesting knowledge is behaviourally inert without implementation infrastructure. Together, these five bodies of evidence establish the theoretical foundation for this review: Generation Z's digitally-mediated financial behaviour systematically undermines each of LCH's foundational axioms, necessitating a revised framework that integrates digital mechanisms into the lifecycle model.

3. Research Method

This study employed a Systematic Literature Review augmented by BERTopic computational topic modelling (Grootendorst, 2022). Scopus was selected for its comprehensive coverage of economics, behavioural finance, management, and psychology. The search at May 05, 2026 and two complementary search strategies maximised corpus coverage. Strategy 1 targeted LCH-proximate literature: TITLE-ABS-KEY ("Life Cycle" OR "consumption smoothing" OR "saving behavior" OR "retirement planning") AND ("Gen Z" OR "Generation Z" OR "young adult*") AND ("behavior*" OR "bias*" OR "overconfidence" OR "herding" OR "financial decision*"), yielding 178 records. Strategy 2 targeted irrational financial behaviour without requiring explicit LCH terminology: TITLE-ABS-KEY ("Gen Z" OR "Generation Z" OR "retail investor*") AND ("behavioral finance" OR "herding" OR "overconfidence" OR "FOMO" OR "impulsive") AND ("saving" OR "investment" OR "consumption" OR "portfolio"), yielding 143 records. The combined pool totalled 321 records was reduced to 234 unique records after deduplication and removal of non-English, non-article, and out-of-window documents. The 2018 lower boundary is justified by Generation Z's entry into financial markets coinciding with the mainstream proliferation of digital financial platforms.

Topic	Count	Name
-1	12	-1_symptoms_age_living_childhood
0	132	0_investors_investment_biases_decision
1	18	1_impulsive_purchase_shopping_online
2	15	2_retirement_saving_savings_debt
3	12	3_climate change_climate_energy_environmental
4	10	4_generation_gen_saving_social media
5	9	5_literacy_planning_personal management_students
6	9	6_adults_driving_emissions_young adults
7	9	7_housing_wealth_shared housing_earnings
8	8	8_health_people_mental_young people

Figure 1. BERTopic Cluster

Given the volume of the corpus (n = 234), this study adopted a computational eligibility screening approach using the BERTopic algorithm (Grootendorst, 2022), executed in Jupyter Lab via Python 3.13. All 234 abstracts were encoded into semantic vectors using SentenceTransformer all-MiniLM-L6-v2, reduced via UMAP (n_neighbors = 15, n_components = 5, min_dist = 0.0, cosine metric, random_state = 42), clustered using HDBSCAN (min_cluster_size = 5, min_samples = 3), and represented using a two-stage keyword pipeline of c-TF-IDF with reduce_frequent_words = True, followed by KeyBERTInspired semantic selection and MMR (diversity = 0.3) for lexical diversity. The model produced 9 substantive topical clusters and 1 outlier cluster (Figure 1). Human-in-the-loop validation excluded five clusters: the incoherent outlier cluster (Topic -1); Life Cycle Assessment environmental science false positives from lexical 'life cycle' overlap (Topics 3 and 6); archaeological anthropology documents (Topic 7); and clinical psychology documents (Topic 8). Fifty documents were excluded, yielding the final eligible corpus of 184 articles across five financially relevant clusters (Page et al., 2021). The computational BERTopic approach provides an objective, reproducible, and auditable basis for inclusion and exclusion decisions a methodological advance over traditional PRISMA implementations susceptible to reviewer fatigue (Figure 2).

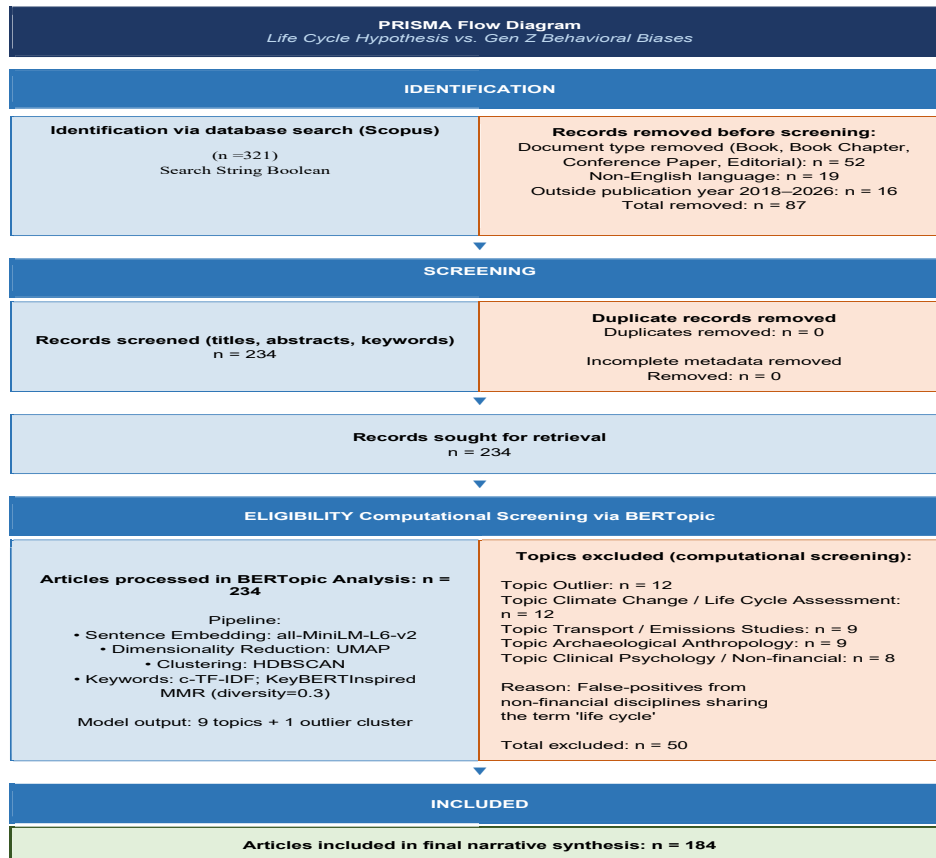


Figure 2. PRISMA Flow Diagram adapted from Page et al. (2021)

4. Finding and Discussion

The final corpus of 184 (Figure 3) articles spans 127 unique source journals, generating 2,108 total citations (mean: 11.46 per article; SD=21.99). The power-law citation distribution reflects disproportionate scholarly impact from a small number of seminal articles notably Seth et al. (2020) at 186 citations and Bhatia et al. (2020) at 132 citations. Annual publications increased from 12 in 2018 to a peak of 55 in 2025, with 47.8% of the corpus published within 2024–2025 confirming that this research domain is in a phase of explosive growth and substantially strengthening this review's timeliness contribution. Critically, 'Generation Z' appears as an author keyword exclusively from 2022 onward (nine occurrences in 2022–2026; zero in 2018–2021), providing quantitative evidence that the field is newly constituted rather than mature.

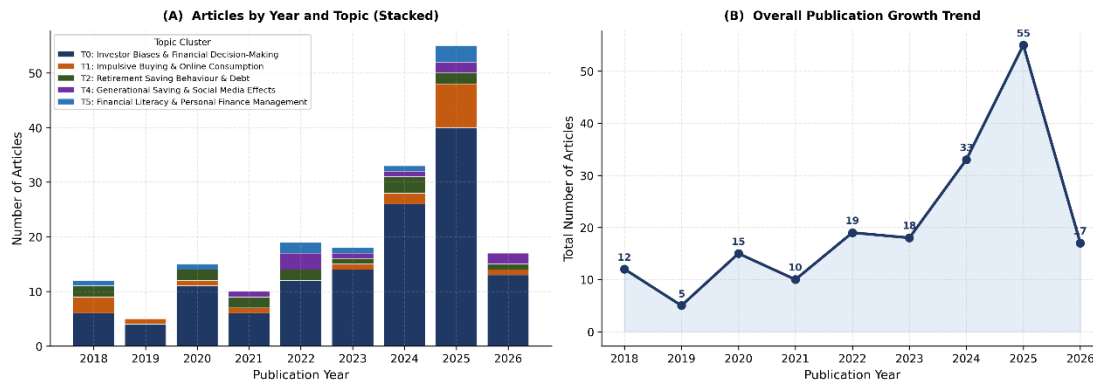


Figure 3. Annual Publication Trend

Figure 4 identifies the 15 most productive source journals. The dispersal of articles across 127 unique outlets underscores the interdisciplinary character of the field and the absence of a single consolidating publication venue. The most productive source journals are the Journal of Behavioral and Experimental Finance and Investment Management and Financial Innovations, followed by Sustainability (Switzerland) and the International Journal of Financial Studies.

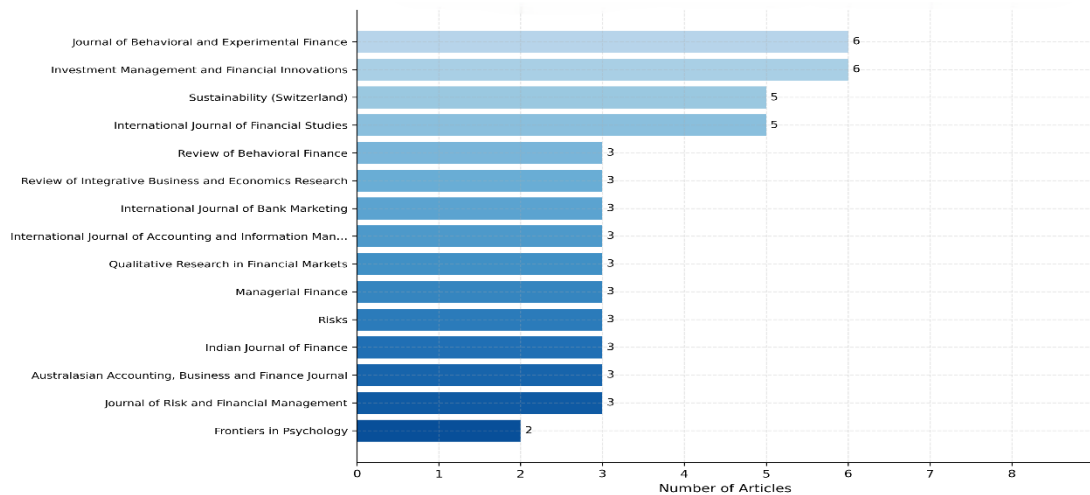


Figure 4. Most Productive Journals

The geographic distribution reveals pronounced concentration (Figure 5): India accounts for 36.4% (n=67), the United States 8.2% (n=15), and Indonesia 7.1% (n=13). At the regional level, South Asia and Southeast Asia account for 58.1% of the corpus (n=107), underscoring that this research domain is predominantly an emerging-market phenomenon and simultaneously signalling the potential limitations of generalisability to European and North American contexts.

Figure 5. Distribution by Countries

4.1 Thematic Cluster Landscape (RQ1)

Addressing RQ1, BERTopic modelling of 184 eligible articles identifies five thematically coherent clusters that collectively map the conceptual architecture of the behavioural finance and Generation Z literature. The keyword co-occurrence map presented in Figure 6 provides a visual representation of the dominant conceptual vocabulary in the corpus, with the relative size of each term corresponding to its frequency across author and index keywords. BERTopic modelling yielded five thematically coherent clusters whose keyword signatures, article distributions, and representative documents collectively map the intellectual terrain of the field (Figure 7).



Figure 6. Word Cloud

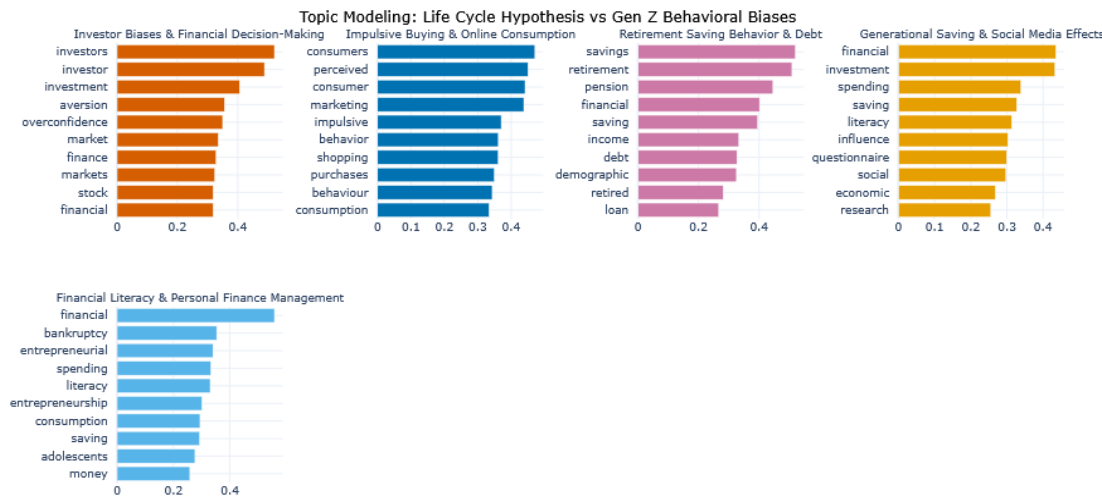


Figure 7. BERTopic Modeling

BERTopic modelling yielded five thematically coherent clusters that collectively address RQ1. Table 1 presents the three representative documents per cluster articles whose semantic embeddings are closest to each cluster centroid alongside each cluster's primary theoretical function in the overall argument.

Table 1. Thematic Clusters and Representative Documents

Cluster	Label	n	Representative Documents	Role vs LCH
T0	Investor Biases & Financial Decision-Making	132	Singh & Chakraborty (2025); Thi et al. (2025); Raj (2026)	Violates rationality axiom
T1	Impulsive Buying & Online Consumption	18	Nugraha et al. (2024); Abdrabbo et al. (2025); Putra et al. (2025)	Violates consumption smoothing
T2	Retirement Saving Behaviour & Debt	15	García Mata (2021); Korankye (2024); Nabayinda et al. (2026)	Theoretical baseline: partial LCH support with anomalies
T3	Generational Saving & Social Media Effects	10	Ammer and Aldhyani (2022); Anwar (2025); Hii et al. (2025)	Displaces saving mechanism
T4	Financial Literacy & Personal Finance Management	9	Ahmad et al. (2025); Senduk et al. (2025); Thu et al. (2025)	Moderating variable: digital literacy paradox

The dominant Cluster T0 (71.7% of the corpus) reflects the maturity of the investor biases literature relative to emerging sub-fields. The absence of 'Generation Z' as an author keyword before 2022 confirms that this literature has only recently constituted Gen Z as a distinct research object, opening the conceptual space that the DBLCH proposal occupies.

4.2 Generation Z Behavioural Biases vs LCH Axioms (RQ2)

Addressing RQ2, evidence across five thematic clusters converges on a systematic, multi-axiomatic challenge to LCH, proceeding from the theoretical baseline through four escalating empirical failures: cognitive irrationality, platform-mediated impulsive consumption,

instrument displacement in saving, and the digital financial literacy paradox. Evidence from all five clusters converges on a systematic, multi-axiomatic challenge to LCH, organised here across four empirical arguments.

LCH baseline and its structural anomalies (T2). Cluster T2 represents the strand most aligned with LCH's core predictions. García Mata (2021), using generalised structural equation modelling on 1,540 young Mexican adults, confirms that financially literate individuals display greater active retirement planning intentions. Park & Martin (2022) extend this finding using the National Longitudinal Survey of Youth: risk tolerance, financial literacy, savings, and income all positively predict retirement planning, providing large-sample support for the LCH baseline. Afthanorhan et al. (2020) further confirm that financial literacy, saving attitude, social influence, and goal clarity all significantly and positively predict retirement planning among Malaysian young adults.

However, structural anomalies within T2 already undermine LCH's universality. Korankye (2024) demonstrates empirically that retired Americans carry student loan debt into the decumulation phase a direct violation of LCH's smooth wealth drawdown prediction with financial literacy reducing but not eliminating this likelihood. Letkiewicz & Heckman (2018) establish that homeownership a canonical LCH lifecycle milestone is predicted by behavioural traits rather than rational wealth optimisation. Together, these T2 findings confirm that LCH has partial predictive power under classical conditions while simultaneously documenting anomalies that presage the more systematic failures documented in T0, T1, T3, and T4.

Pervasive cognitive irrationality (T0). The largest and most citation-dense cluster (T0) constitutes the most powerful empirical challenge to LCH's rationality axiom. (Seth et al., 2020), the corpus's most-cited article (186 citations), demonstrate through systematic literature review that retail investor decisions are systematically driven by behavioural resistance and inertia, establishing irrationality as the default rather than the exception. Bhatia et al. (2020) reveal the recursive character of this irrationality: robo-advisory algorithms can partially correct overconfidence and herding, but only when investors opt in a decision obstructed by the very overconfidence such tools are designed to correct.

Three bias mechanisms emerge as especially corrosive to LCH's accumulation prediction. First, overconfidence and platform amplification: Parveen et al. (2020) demonstrate in an emerging market context that overconfidence mediates representativeness heuristic, producing systematic market overreaction. The illusion of control engendered by digital trading interfaces structurally amplifies this for Gen Z investors: mobile trading apps enhance overconfidence and generate higher trading volumes producing negative abnormal returns (Nair et al., 2023). Second, herding amplified by FOMO: Gupta and Shrivastava (2022) establish through PLS-SEM of 323 Indian retail investors that FOMO establishes complementary partial mediation of herding and loss aversion FOMO's presence increases the magnitude of both effects on investment decisions. Kaur et al. (2024) extend this to cryptocurrency markets, confirming FOMO as the strongest predictor of crypto investment decisions the most recent and dramatic manifestation of the FOMO-irrationality nexus. Third, the cognitive ecosystem: Raj (2026), in the most recent

article in the corpus, confirms through PLS-MGA that herding, overconfidence, and mental accounting simultaneously predict investment decisions, with female investors being disproportionately susceptible to herding a finding with direct implications for TikTok Shop dynamics. The Barnum effect provides the influencer mechanism: overconfident investors accepting generic claims as personally relevant make systematically worse investment decisions (Bihari et al., 2025). The net effect is a wealth trajectory for Gen Z that diverges systematically from LCH's smooth accumulation curve.

Platform-mediated impulsive consumption and instrument displacement (T1, T3). Cluster T1 provides the most direct empirical challenge to LCH's consumption-smoothing axiom. LCH predicts positive net saving during productive years; T1 documents the platform mechanisms through which this prediction fails for Generation Z. Nugraha et al. (2024) the most contextually relevant study from Indonesia apply the Stimulus-Organism-Response (S-O-R) framework to 256 Gen Z Muslim women TikTok Shop consumers. They demonstrate a causal pathway linking micro-celebrity authenticity through utilitarian and hedonic browsing to impulse purchasing, arguing that this chain is driven entirely by platform architecture rather than rational preference revelation. Nguyen et al. (2024) extend this finding to Vietnamese Gen Z consumers (n=318): online reviews and eWOM significantly predict impulse buying tendency, with eWOM mediating the social information transmission chain.

FOMO's role as a structural consumption driver is multi-dimensionally documented. Saavedra and Bautista (2020) demonstrate FOMO's significant motivational influence on Gen Z masstige brand consumption; Abdrabbo et al. (2025) confirm that FOMO strengthens Need for Uniqueness effects on luxury purchase intention, establishing identity-driven consumption amplified by digital platforms as structurally incompatible with LCH's utility-smoothing prediction. The bidirectionality of these dynamics FOMO may suppress as well as stimulate purchasing through FOPO anxiety (Putra et al., 2025) further confirms that platform-mediated consumption psychology is irreducible to any rational utility model.

Cluster T3 reveals a theoretically consequential challenge: the displacement of saving and investment instruments LCH implicitly assumes. Hii et al. (2025) provide the foundational evidence: applying UTAUT to 274 Chinese Gen Z IWM users, they demonstrate that saving via Internet Wealth Management services is driven by Performance Expectancy, Effort Expectancy, Social Influence, and Facilitating Conditions not intertemporal utility calculation. Social influence is a primary motivator, meaning Gen Z's saving decisions are socially embedded rather than autonomously optimised.

Anwar (2025) provides the most direct Indonesian evidence: social media usage does not directly influence Gen Z saving behaviour but operates indirectly through financial self-efficacy a psychological empowerment mechanism absent from LCH. Worasatepongso & Deesukanan (2022)W deliver decisive evidence: Thai Gen Z investors exhibit high financial management self-assessment yet statistically significant negative investment habits and this article explicitly cites LCH in its literature review while empirically refuting its predictions, confirming that the paradox identified in the DBLCH is documented by original researchers themselves. Chhillar

and Arora (2022) empirically validate that all six PFM dimensions are now platform-mediated, completing the picture of comprehensive instrument displacement across the lifecycle financial management architecture LCH assumes to be autonomous and market-based.

The digital financial literacy paradox (T4). Cluster T4 tests whether the classical corrective financial literacy can restore LCH-consistent behaviour. Zaimovic et al. (2023), in a systematic review of 137 financial literacy studies, confirm its positive influence on retirement planning, financial inclusion, and wealth accumulation establishing the classical baseline. Lučić et al. (2020) confirm that formal financial education interventions significantly improve adolescent financial knowledge. However, the structural failure is clear: Senduk et al. (2025), in an Indonesian phenomenological study, document that social media financial information is more dominant than formal curricula for Gen Z students, who exhibit impulsive spending and digital financial misconceptions despite educational exposure. Ramli et al. (2022) demonstrate that financial fragility persists among young Malaysian adults despite knowledge exposure. Ahmad et al. (2025) formalise the mechanism: financial literacy does not directly predict prudent financial behaviour the relationship is fully mediated by personal financial management practices. The implementation infrastructure that bridges knowledge and behaviour is precisely what FOMO-driven social media systematically undermines.

4.3 Towards a Digital Behavioural Life Cycle Hypothesis (DBLCH) (RQ3)

Addressing RQ3, the convergent empirical evidence establishes that neither LCH nor its behavioural extension BLCH adequately captures the digitally-mediated mechanisms governing Generation Z's financial lifecycle trajectory, necessitating a revised theoretical framework. The convergent evidence across all five thematic clusters establishes the inadequacy of both LCH and BLCH to describe, predict, or prescribe Generation Z's financial lifecycle trajectory. This study proposes the Digital Behavioural Life Cycle Hypothesis (DBLCH) as a conceptual extension integrating four digitally-specific mechanisms (Figure 8).

Layer 1 — Digital Present Bias: Beyond BLCH's hyperbolic discounting, Gen Z faces systematically amplified present bias driven by platform architectures maximising engagement through immediacy push notifications, flash sales, countdown timers, and infinite scroll. Nomophobia represents the extreme manifestation: smartphone dependency generates Investor-FOMO (I-FoMO) that mediates investment irrationality, with nomophobic investors exhibiting overtrading under information anxiety (Shiva et al., 2020). The effective discount rate in digital environments is functionally higher than any classical utility model assumes, rendering long-horizon saving optimisation behaviourally inaccessible.

Layer 2 — FOMO as Consumption Moderator: Evidence from T0 and T1 establishes FOMO as a structural moderator of both consumption and investment decisions amplifying Need for Uniqueness toward identity-constructing expenditure (Abdrabbo et al., 2025), mediating herding and loss aversion in investment markets (Gupta & Shrivastava, 2022), and driving cryptocurrency investment beyond rational risk assessment (Kaur et al., 2024). DBLCH incorporates FOMO as an endogenous variable whose intensity is a function of platform engagement frequency and social comparison exposure.

Layer 3 — Digital Platforms as Financial Decision Mediators: Evidence from T3 demonstrates that Gen Z's saving and investment decisions are not direct expressions of time preference but are mediated by platform affordances, algorithmic recommendations, and social influence. All six PFM dimensions are now platform-mediated (Chhillar & Arora, 2022). The saving mechanism operates through psychological empowerment, not utility calculation (Anwar, 2025). Finfluencer influence on investment decisions is confirmed in the Indonesian context (Martaningrat & Kurniawan, 2024), where financial literacy paradoxically weakens rather than overrides platform-mediated influence.

Layer 4 — Digital Financial Literacy as Operative Rationality Substitute: Evidence from T4 establishes that classical financial literacy is insufficient when the primary financial information environment is algorithmic social media. The Barnum effect explains influencer vulnerability: overconfident investors accepting personalised-sounding generic claims make systematically worse decisions (Bihari et al., 2025). DBLCH proposes that digital financial literacy comprising critical evaluation of finfluencer content, navigation of platform-induced cognitive biases, and leveraging algorithmic tools for long-horizon planning constitutes the operative rationality substitute in the digital economy.

Digital Behavioural Life Cycle Hypothesis (DBLCH)

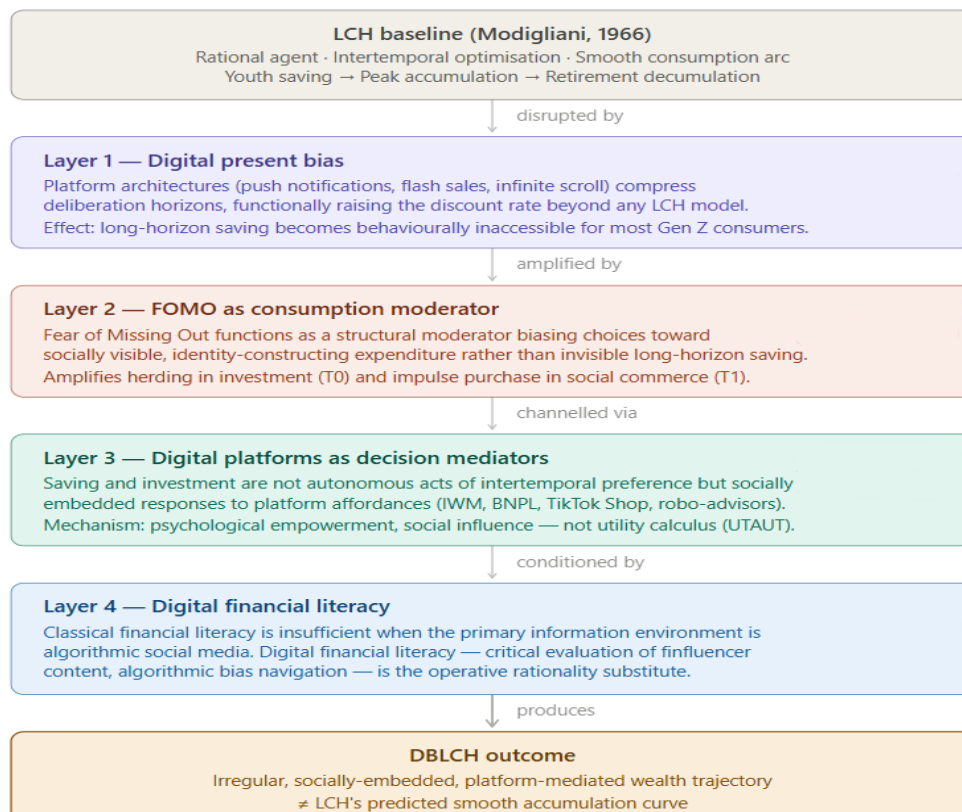


Figure 8. Digital Behaviour Life Cycle Hypothesis

The DBLCH retains the lifecycle architecture of LCH intertemporal allocation matters for welfare but reconceptualises the mechanisms governing it. Where LCH assumes a rational, autonomous agent solving an optimisation problem, DBLCH posits a socially embedded, cognitively constrained agent whose financial trajectory is shaped by the intersection of enduring behavioural tendencies and the specific affordances, frictions, and incentives of the digital financial ecosystem. This reconceptualisation has direct implications for financial regulation, platform design, financial education policy, and investment advisory practice particularly in Southeast Asian emerging markets where 58.1% of the corpus is concentrated.

5. Conclusion

This systematic literature review synthesises 184 peer-reviewed articles across five BERTopic-derived thematic clusters from Scopus (2018–2026), providing comprehensive empirical and theoretical evidence that Generation Z's financial behaviour constitutes a fundamental challenge to the Life Cycle Hypothesis. The corpus generating 2,108 total citations, concentrated in India and Southeast Asia including Indonesia demonstrates that cognitive irrationality (T0), platform-mediated impulsive consumption (T1), instrument-displaced saving (T3), and the paradoxical insufficiency of financial literacy (T4) collectively dismantle LCH's three foundational axioms. The T2 baseline confirms partial LCH predictive power under classical conditions, but structural anomalies student loan debt in retirement, behavioural predictors of lifecycle milestones undermine universality even within LCH's most supportive cluster.

In response, this study proposes the Digital Behavioural Life Cycle Hypothesis (DBLCH), integrating digital present bias (Layer 1), FOMO as a consumption moderator (Layer 2), digital platforms as financial decision mediators (Layer 3), and digital financial literacy as the operative rationality substitute (Layer 4) into a revised lifecycle framework. The DBLCH is grounded in empirical evidence from 184 articles across 36 countries, with particular contextual validation from Indonesian research (Nugraha et al., 2024; Anwar, 2025; Martaningrat & Kurniawan, 2024; Senduk et al., 2025).

The principal limitations of this review include geographic concentration of the corpus in South Asia, constraining cross-national generalisability, and reliance on abstract-level text for computational clustering. Future research should pursue longitudinal empirical testing of the DBLCH framework across Southeast Asian emerging markets, and examine whether platform-specific architectural interventions can attenuate digital present bias and restore lifecycle-consistent saving behaviour among Generation Z.

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