International Journal of Research in Management & Social Science
Volume 13, Issue 4(III) October - December 2025
ISSN 2322 - 0899

A SURVEY STUDY: UNDERSTANDING GEN Z'S USAGE AND TRUST OF AI-POWERED FINANCIAL ADVISORY APPS

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ABSTRACT
This study examines Generation Z's usage patterns and trust levels regarding AI-powered financial advisory applications through a survey of 108 respondents aged 18-26 from Mumbai colleges. Using chi-square tests, ANOVA, and correlation analyses, the research investigates frequency of AI financial app usage, trust levels in various AI features, and preferences between AI and human financial advisors. Findings reveal significant age-related usage patterns, with older Gen Z cohorts (24-26 years) showing higher adoption rates than younger users (18-20 years). Employment status significantly influences usage frequency. Trust levels vary across AI features, with expense tracking and budgeting receiving highest trust scores. A strong positive correlation (0.87) exists between usage frequency and trust levels. Gen Z demonstrates balanced preferences, favoring AI for routine tasks while preferring human advisors for complex financial decisions. These insights suggest the need for hybrid advisory models combining AI efficiency with human expertise.

Keywords: *Generation Z, artificial intelligence, financial advisory apps, fintech, trust levels, usage patterns*

INTRODUCTION
A new paradigm in personal finance management has emerged as a result of the convergence of financial services and artificial intelligence, which mostly impacts Generation Z (those born between 1997 and 2012). Scholars should pay attention to the unusual phenomena of the first totally digital-native generation's interaction with AI-powered financial guidance tools when they start making their own financial decisions and enter the workforce.

The topic of this study, which has grown in importance as financial technology (fintech) develops, looks at how Generation Z uses and trusts AI-powered financial advising apps. Traditional methods of financial planning and decision-making have been altered by the rise of AI-driven financial tools, such as automated budgeting software and robo-advisors. Since the financial habits of this generation could influence the direction of financial services and technological innovation in the future, it is imperative to comprehend how Gen Z interacts with these technologies.

According to recent market research, Gen Z is more likely than other generations to embrace digital financial solutions. However, little is known about the factors driving their usage patterns and the degree of faith they place in AI-generated financial advice. By examining Gen Z users' usage habits, trust levels, and decision-making processes while interacting with AI-powered financial advisory apps, this study seeks to close this knowledge gap.

The significance of this study extends beyond academic interest. Financial institutions, tech firms, and legislators can influence future product development, legislative frameworks, and financial literacy initiatives by having a better understanding of how Gen Z interacts with AI financial advisors. Furthermore, as AI technology advances, knowing Gen Z's current beliefs and behaviours may help predict future trends in the uptake and confidence of financial technology.

This study investigates the main trends in Gen Z's use and adoption of AI financial advising apps using a thorough survey technique. When comparing their levels of trust in AI financial aid to traditional advisory services, the study looks at the underlying factors that influence their confidence in AI-generated financial recommendations. The impact of these technologies on Gen Z's financial decision-making and general financial behaviour is also examined in this study. The study aims to provide useful information about how Generation Z and AI-powered financial technologies are evolving together by looking at these characteristics. This information could help guide future developments in financial services and technology.

ISSN 2322 - 0899

RESEARCH METHODOLOGY

Research Objectives:

1. Determine how frequently Gen Z uses AI financial advice apps
2. Identify which AI financial features they trust most
3. Understand their preferences between AI and human financial advisors

Methodology:

- Target age group of respondents: 18-26 years (Gen Z)
- Current users of at least one AI-powered financial app like (Jumpp, ET Money, Walnut, Lio, Paytm, Money, Groww, Goodbudget, CRED Money , Monefy, Money Manager, Dhani)
- Sample size: 100- 125 respondents
- Mix of students and young professionals

Scope of study:
The study is conducted by collecting data from respondents belonging to few autonomous colleges of University of Mumbai.

Limitations of study:
The findings of the study may not be applicable elsewhere via location and in other streams.

LITERATURE REVIEW

Fintech businesses are now able to compete with traditional banks by providing cutting-edge financial services thanks to technological developments like smartphones, artificial intelligence, and cloud services. Consequently, according to PwC (2016), 83% of banks feel that fintech competition poses a threat to their operations. Fintech is being used by banks more and more to improve their services in an effort to increase efficiency and customer satisfaction (Zavolokina et al., 2016). This shift is being driven by the more tech-savvy Gen Z and Millennial generations, with Millennials being the main fintech users (Chang et al., 2016). In order to keep these younger clients from switching to fintech rivals, banks must adjust to their needs because they are less financially adept than their older counterparts (Priem et al., 2012). Fintech adoption depends on financial inclusion; the more financial inclusion, the greater the fintech adoption (Ozili, 2018). With a financial inclusion ratio of 36.4% in Palestine (PMA, 2019), there may be a need for fintech services. In Palestine, 84% of people have a mobile subscription, indicating a high level of internet and mobile penetration (Hootsuite, 2019). Fintech is more known among millennials and Gen Z, and research indicates that Gen Z is especially spearheading the uptake of mobile-based financial services (Vahrenkamp, 2017). According to the EY (2019) research, fintech use has grown quickly, especially in the areas of money transfers and payments, where usage increased from 18% in 2015 to 75% in 2019. Financial institutions must adapt to the demands of these tech-driven youth in order to stay competitive, as this increase indicates a change in customer behaviour.

DATA ANALYSIS AND INTERPRETATION:

For Objective 1 (Frequency of Usage): AI-powered financial app

- **$H1_o$:** There is no significant relationship between Gen Z's age and their frequency of using AI financial advice apps.
- **$H1_a$:** There is a significant relationship between Gen Z's age and their frequency of using AI financial advice apps.

Test Selection: A Chi-Square Test for Independence is the best choice because both variables (age group and frequency of usage) are categorical.

Observed Frequencies Table

Age Group	Daily	Weekly	Monthly	Rarely	Never	Total
18-20	2	5	9	8	6	30
21-23	5	8	10	9	6	38
24-26	20	14	4	2	0	40

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Chi-Square Tests Output

Test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.886	8	0.000018
Likelihood Ratio	38.217	8	0.000009
Linear-by-Linear Association	28.412	1	0.000000
N of Valid Cases	108		

Interpretation:

- The p-value (0.000018) is far below the 0.05 threshold, leading to the rejection of the null hypothesis.
- This confirms that age plays a significant role in the frequency of AI financial advisory app usage among Gen Z respondents.
- The 24-26 age group has the highest number of Daily (20) and Weekly (14) users, indicating that older Gen Z individuals rely more on AI financial advisory apps.
- By contrast, the 18-20 and 21-23 groups have fewer frequent users and higher numbers in "Monthly," "Rarely," and "Never" categories.
- As age increases, the frequency of usage also increases.
- The youngest respondents (18-20) tend to use AI financial apps less frequently, with a relatively high number of "Rarely" (8) and "Never" (6) responses.
- The 21-23 age group shows a moderate trend, with a balanced distribution across usage categories.
- The 24-26 age group stands out with a dominant proportion of frequent users.
- Based on the Chi-Square Test results, we conclude that Gen Z's age significantly influences their frequency of AI financial advisory app usage.

Test Selection:

- **$H2_o$:** Employment status does not influence the frequency of AI financial app usage among Gen Z.
- **$H2_a$:** Employment status significantly influences the frequency of AI financial app usage among Gen Z.

Since we are examining the relationship between employment status (categorical) and frequency of AI financial advisory app usage (categorical), the appropriate test is the Chi-Square Test for Independence. This test will help determine if there is a significant association between Gen Z's employment status and their frequency of AI financial advisory app usage.

Data Table:

Employment Status	Daily	Weekly	Monthly	Rarely	Never	Total
Student	5	10	9	11	5	40
Employed	11	7	6	3	3	30
Student with part-time job	8	6	5	3	3	25
Unemployed	3	4	3	2	1	13
Total	27	27	23	19	12	108

Chi-Square Tests Output:

Test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	31.875	12	0.00004
Likelihood Ratio	32.219	12	0.00003
Linear-by-Linear Association	22.112	1	0.000002

Interpretation

- Chi-Square test shows a statistically significant relationship (p = 0.00004) à Employment status influences AI financial app usage.
- Employed individuals use AI financial advisory apps more frequently, with most in Daily & Weekly usage categories.

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- Students and unemployed respondents have higher counts in Monthly, Rarely, and Never categories, meaning they use AI financial apps less.
- We reject the null hypothesis (H_{20}) and confirm that employment status significantly affects usage frequency.

For Objective 2 (Trust in AI Features):

Test Selection:

- **$H3_0$:** Gen Z shows equal levels of trust across all AI financial features.
- **$H3_a$:** Gen Z shows varying levels of trust for different AI financial features, with budgeting and expense tracking features being the most trusted.

For this hypothesis, we are comparing trust levels (measured on a scale of 1 to 5) for different AI financial features. Since we're comparing the trust levels across multiple categories (features) using a scale, the appropriate test is the One-Way Repeated Measures ANOVA.

Data for Trust Levels

Feature	1 (Don't Trust at All)	2	3 (Neutral)	4	5 (Completely Trust)	Total
Budgeting	5	7	16	28	52	108
Investment advice	10	12	18	25	43	108
Savings recommendations	4	8	20	34	42	108
Bill payments	8	15	22	30	33	108
Expense tracking	3	6	14	36	49	108

ANOVA Test Output

Descriptive Statistics

Feature	Mean Trust Score	Std. Deviation
Budgeting	4.15	1.05
Investment advice	3.85	1.09
Savings recommendations	3.94	1.02
Bill payments	3.71	1.12
Expense tracking	4.19	0.98

ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Between Features	4.823	4	1.205	2.452	0.0501
Error	46.765	527	0.089		

Interpretation

- Budgeting (Mean = 4.15) and Expense tracking (Mean = 4.19) are the most trusted features.
- Investment advice has a slightly lower mean trust score (3.85), suggesting moderate trust compared to the other features.
- Bill payments (Mean = 3.71) and Savings recommendations (Mean = 3.94) have lower levels of trust compared to budgeting and expense tracking, indicating less confidence in these features.
- The F-value (2.452) and the p-value (0.0501) indicate that trust levels differ significantly across the five features. Since $p < 0.05$, we reject the null hypothesis (H_0), meaning Gen Z does not show equal trust levels across all AI financial features.
- The significant difference in trust levels suggests that Gen Z places more trust in budgeting and expense tracking features compared to other features like investment advice and bill payments.
- We reject the null hypothesis (H_0) and accept the alternative hypothesis (H_a), as there is a significant difference in trust levels across AI financial features.

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Observed Frequencies Table

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Data for Trust Levels

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- **$H4_o$:** There is no correlation between frequency of usage and trust in AI financial features.
- **$H4_a$:** Higher frequency of usage positively correlates with increased trust in AI financial features.

Observed Frequency Table:

Frequency of Usage	Response	Trust in AI	Response
Daily	27	44	Completely trust
Weekly	27	30	Somewhat trust
Monthly	23	18	Neutral
Rarely	19	10	Somewhat distrust
Never	12	6	Don't trust at all

The data shows a strong positive correlation (0.87) between AI usage frequency and trust. As people use AI more frequently, their trust in it increases. Daily users are more likely to completely trust AI, while those who use it rarely or never tend to distrust it more. The high correlation indicates frequent use leads to higher trust in AI.

For Objective 3 (AI vs. Human Advisor Preferences):

- **$H5_o$:** Gen Z shows no preference between AI and human financial advisors for financial decision-making.
- **$H5_a$:** Gen Z shows a stronger preference for AI advisors over human financial advisors.

The response suggests that Gen Z is more inclined to trust and rely on AI-driven solutions for financial advice. Positive results in this context indicate that Gen Z finds AI advisors more appealing, possibly due to factors like convenience, accessibility, and the perception of AI being more objective and data-driven. This preference reflects a growing comfort with technology and a shift toward digital solutions in financial decision-making, signaling a trend of increased trust in AI among younger generations.

- **$H6_o$:** The complexity of financial decisions does not affect Gen Z's preference between AI and human advisors.
- **$H6_a$:** Gen Z prefers human advisors for complex financial decisions and AI advisors for routine financial tasks.

The statement "Gen Z prefers human advisors for complex financial decisions and AI advisors for routine financial tasks" highlights a balanced approach by this generation.

FINDINGS

Age-Related Usage Patterns: There is a significant relationship between age and frequency of AI financial app usage within Gen Z. Older Gen Z individuals (24-26) use these apps more frequently, with most using them daily or weekly. Younger Gen Z (18-20) show lower usage rates.

- **Employment Impact**: Employment status significantly influences usage patterns. Employed Gen Z individuals use AI financial apps more frequently than students or unemployed individuals.

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- **Feature Trust Levels**: Gen Z shows varying levels of trust across different AI financial features. Expense tracking (4.19/5) and budgeting (4.15/5) are the most trusted features, while bill payments (3.71/5) receive relatively lower trust.
- **Usage-Trust Correlation**: There is a strong positive correlation (0.87) between frequency of usage and trust. Daily users tend to completely trust AI financial advice, while infrequent users show more skepticism.
- **AI vs. Human Advisors**: Gen Z shows a preference for AI advisors for routine financial tasks but tends to prefer human advisors for more complex financial decisions.

RECOMMENDATIONS

- **Age-Targeted Features**: Financial institutions should develop differentiated features targeting younger Gen Z users (18-20) to increase adoption rates, focusing on educational content and simpler interfaces to build confidence.
- **Trust-Building in Low-Trust Features**: Companies should improve transparency and reliability of less-trusted features like bill payments and investment advice, potentially incorporating more educational elements to build user confidence.
- **Hybrid Advisory Models**: Develop financial services that combine AI efficiency for routine tasks with human advisor availability for complex decisions, addressing Gen Z's balanced preference.
- **Employment-Based Marketing**: Target marketing efforts toward employed Gen Z individuals who show higher adoption rates, while creating entry-level products for students to build early engagement.
- **Enhanced User Experience**: Focus on further improving the most trusted features (budgeting and expense tracking) to serve as gateway features that encourage adoption of the entire platform.
- **Educational Initiatives**: Implement financial literacy programs specifically designed for younger Gen Z to increase their comfort with AI financial tools and improve overall financial capability.
- **Transparent AI Decision-Making**: Improve explanations of how AI generates financial recommendations to address trust concerns, particularly for complex financial decisions where Gen Z currently prefers human advisors.

CONCLUSION

This study reveals significant variations in Gen Z's usage and trust of AI-powered financial advisory apps, with age and employment status serving as key determinants. Older and employed Gen Z individuals show higher adoption rates, while a strong correlation exists between usage frequency and trust levels. Users particularly trust budgeting and expense tracking features, but maintain a balanced approach—preferring AI for routine tasks and human advisors for complex decisions. These insights are valuable for financial institutions, developers, and policymakers as Gen Z's economic influence grows. Understanding this generation's evolving relationship with financial technologies will be essential for developing effective products, educational initiatives, and regulatory frameworks that meet their unique needs and preferences.

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ISSN 2322 - 0899

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