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CONSUMER BEHAVIOUR ON AI-POWERED FINANCIAL APPLICATIONS

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ABSTRACT

As more people begin to use Artificial Intelligence in their financial dealings, the interaction between consumers and financial services continues to be transformed. Most of the current studies about the adoption of AI (Artificial Intelligence) are primarily focused on technology efficiency and security (trust), as well as intent to use. Conversely, there are fewer recent studies about the more in-depth behaviours and psychology that shape a consumer's acceptance of AI-based financial tools, which is what this study aims to fill by providing new behavioural insights into AI usage that are beyond the existing tech usage acceptance theories. The results of this study demonstrate two forms of trust: trust in a system to be secure and provide accurate results, and emotionally based trust. There is a difference between these types of trust that needs to be validated from the perspective of a consumer. The findings also indicate that consumers perceive "control" as a major driver of their behaviours when interacting with these types of technologies; therefore, providing the consumer with the control to make decisions themselves (rather than allowing someone else to dictate) as well as providing explanations of how the and why the AI [is] providing this information [to them], are key elements to the consumer adopting these technologies for financial purposes. The study has identified what the authors call an algorithm awareness gap that impacts the consumer's behaviours to either be over-reliant upon AI and/or resist AI recommendations. As a result of Ethical Sensitivity's Moderating Role on Building Trust and Creating Long-Term Loyalty, the Findings of this Research Address Issues Relating to Automation Fatigue, Behavioural Differences That Are Task Specific to Financial Activities, and

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Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

Recovery of Trust Following AI System Failure. Hence, the present study covered all the aspects of Psychological, Ethical, and Context Based on Consumer Behaviour Toward AI Financial Applications, and Provides Useful Consideration for the Implementation of Responsible, Transparent, and User-Cantered AI To Support Financial Institutions and is beneficial to all stakeholders of the company.

KEYWORDS: Artificial Intelligence, Consumer Behaviour, FinTech, AI-Powered Financial Applications, Trust, Technology Adoption

INTRODUCTION

AI (Artificial Intelligence) is changing how financial services are conducted by introducing new solutions and new programs based on AI. AI is used together with technology, including machine learning, data analytics and automation, via Fintech platforms to provide consumers with personalised service in a quick and effective manner in real time. Chatbots, automated credit scoring systems and fraud detection systems are all examples of AI-based applications providing a good customer interaction with a financial organization. There are several advantages from using AI-based applications in financial services: improved accuracy of decision-making, reduced transaction processing time, lower operational costs, and improved customer satisfaction. AI-based applications allow financial services companies to deliver personalised financial products and services based on predictive analytics and tailored recommendations for their customers. To conclude, the acceleration toward more artificial intelligence (AI)-based financial services will lead to a dramatic shift in how customers will interact with their banking institutions compared to the traditional way of delivering financial services. There are many benefits of using artificial intelligence in financial services and the number of people using them continues to grow rapidly; however, there are challenges that currently limit the acceptance of financial technology, particularly those that incorporate artificial intelligence, within the industry. One of the significant barriers is the lack of trust that consumers have in artificial intelligence, especially with regard to the protection of their personal data, the security of the consumer's data, and the potential for discrimination by the algorithms associated with AI, and the overall lack of understanding about how AI makes decisions. These four areas represent some of the most significant barriers to consumer acceptance of financial technology that integrates artificial intelligence. Furthermore, if consumers are not clear on how AI works, that will only serve to generate mistrust and consequently inhibit the expansion and growth of financial technologies incorporating artificial intelligence. One of the essential components for successful AI-based financial services will be understanding the behaviours of consumers in relation to AI-based financial services. In addition to direct influences on consumers' perceptions of, attitudes toward, and intentions toward AI-based financial services, consumers will have indirect influences through their acceptance and viability of AI-based financial services. Knowing the factors that influence consumer behaviour will enable

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

service providers to develop secure AI-based financial services.

The main motive of the current study is to examine the consumer behaviour in adapting AI powered fin tech application and long-term usage of these tools. The current study contributes to the growing literature on AI and FinTech by providing insights into the behavioural factors that shape customer engagement with AI-enabled financial services.

NEED FOR THE STUDY

The rise of AI use in various financial applications (e.g. digital payment systems, lending, investment management, customer service) has dramatically changed how financial service providers deliver their products and services. On the one hand, AI-powered financial applications can enhance convenience, efficiency, and personalisation for consumers. On the other hand, the success of these technologies ultimately depends on whether or not consumers accept and consistently use them. As a result, understanding consumer behaviour towards AI-powered financial applications is critical for both researchers and practitioners moving forward. The Customers of financial services are sensitive about the information that financial services have due to the fact that they handle both sensitive financial and personal data, so customers are more cautious. Many customers are hesitant to trust an AI-driven system, which continues to rapidly develop due to the speed of technological advancement, for several reasons: fear of misuse of data; fear of algorithmic bias; fear of no transparency; and fear of less human connection. Thus, it is important to investigate customers' perceptions regarding AI-powered financial applications and how these perceptions affect customers' behaviours. Therefore, these studies on the use of AI in finance have mostly concentrated on organisational advantages and technological efficiency, with comparatively little attention paid to consumer-centric behavioural factors, particularly in emerging nations. Furthermore, previous studies frequently look at elements like perceived utility, perceived risk, and trust separately, which leaves a gap in our knowledge of how these factors work together to impact customer behaviour. This emphasises the necessity of doing a comprehensive investigation of the ethical, technological, and behavioural aspects influencing customer acceptability of financial applications driven by AI.

KEY DEFINITIONS

1. ARTIFICIAL INTELLIGENCE

John McCarthy defined AI as "the science and engineering of making intelligent machines, especially intelligent computer programs".

2. FIN TECH

Arner et al. (2016) and the Financial Stability Board (FSB) define FinTech as "technologically enabled innovation in financial services that could result in new business models, applications,

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

processes, or products" with a material effect on financial markets.

3. **CONSUMER BEHAVIOR**

Solomon (2017): "The processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires".

American Marketing Association (AMA): "The dynamic interaction of affect and cognition, behaviour, and environmental events by which human beings conduct the exchange aspects of their lives".

REVIEW OF LITERATURE

AI IN FINANCIAL SERVICES

In their study "FinTech, Reg Tech, and the Reconceptualisation of Financial Regulation," **Arner, Barberis, and Buckley (2017)** emphasised how AI-driven technologies like machine learning and predictive analytics have transformed financial services by improving efficiency and decreasing information asymmetry. According to their research, consumer engagement patterns and service speed and accuracy expectations are strongly impacted by the use of AI in finance.

In their study "Trust, tools, and talk: Unlocking employee creative behaviour through AI communication in financial services," **Fang He et al. (2025)** highlights effective organisation communication enhances employee engagement. In an AI-driven environment, unambiguous communication about the AI tools supports employees in understanding and adopting the technology. It encourages creative work behaviour. The researchers conclude that a supportive AI environment strengthens the bridge between communication and employee creativity.

CONSUMER BEHAVIOR ON TECHNOLOGY ADAPTATION

The Technology Acceptance Model (TAM), which was first presented in **Davis's** seminal book "Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology" **(1989)**, is still frequently used in research on AI-driven financial applications. Davis came to the conclusion that consumer adoption behaviour is heavily influenced by perceived utility and usability.

PERSONALIZATION AND CUSTOMER EXPERIENCE

In "Artificial Intelligence in Service," **Huang and Rust (2021)** showed how AI-driven personalisation enhances customer experience by providing tailored financial advice and predictive insights. According to their research, customer satisfaction and sustained use of digital financial services are significantly impacted by customisation.

In the study "The personalisation paradox: How generative AI shapes conservation intentions through

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

emotional and cognitive pathways," **Min Wu and Kah Mann Yong et al., (2026)** reveal that authenticity and knowledge significantly strengthen emotional and cognitive engagement. However, personalisation can reduce emotional connection and engagement. This indicates that authentic and informative content is more effective than highly personalised AI content in encouraging environmentally conscious behaviour.

ETHICAL CONCERNS

In "Ethical Implications and Accountability of Algorithms," **Martin (2019)** examined how algorithmic bias and a lack of transparency undermine customer trust in AI-based solutions. The findings underlined how crucial moral AI governance is to influencing favourable consumer behaviour.

In a systematic mapping study, **Huang and Chetan Arora et al., (2026)** identified ethical concerns in generative AI through a review of thirty-nine studies. Issues identified were safety, privacy, bias, transparency and accountability, with potential mitigation strategies proposed but yet to be fully developed and without empirical evidence indicating issues with implementing ethical frameworks in the different areas surveyed.

OBJECTIVES OF THE STUDY

1. To investigate how customers behave when using AI-powered banking apps.
2. To study how the adoption of AI-driven financial applications is impacted by perceived utility, usability, and trust in the study area.
3. To evaluate whether consumers' usage intentions are affected by perceived risk and ethical considerations.
4. To determine the main difficulties users, encounter when utilising financial applications driven by AI.

METHODOLOGY

The study is mainly based on descriptive in nature. The researcher has collected in the previous studies in relation to AI adoption and consumer behaviour towards AI adoption and ethical concerns.

AI-DRIVEN FINANCE APPLICATIONS

By automating difficult processes like personalised budgeting, real-time fraud detection, and immediate, round-the-clock customer support with AI chatbots, AI-driven banking apps provide exceptional speed, accuracy, and efficiency. These apps lower operating costs and hazards for institutions while improving user experiences with customised financial information and data-driven, practical advice.

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

List of some AI-powered fintech applications used globally.

Category	Applications	Primary AI Function
Personal Finance	Mint, Cleo, Olivia.ai	Budgeting, spending analysis, personalised financial insights
Robo-Advisory / Wealth Management	Wealthfront, Autonomous, Spiking, TradeGPT	Automated portfolio management, investment recommendations, market insights
Lending & Credit	Upstart, Zest AI	Creditworthiness assessment, alternative data analysis, bias reduction
Fraud Detection & Compliance	PayPal Fraud Systems, ComplyAdvantage	Real-time fraud monitoring, transaction risk detection, regulatory compliance
Enterprise Financial Insights	TigerGPT, AlphaSense, FinRobot	Market intelligence, financial research, data-driven decision support

Source: Customised.

FACTORS INFLUENCING THE CONSUMER BEHAVIOUR

1. TRUST AND SECURITY

Most studies focus on system security, accuracy, and reliability, but consumer behaviour is influenced by users' psychological comfort when interacting with AI in Fintech systems. Consumers may trust the technical aspects of AI systems, but still don't rely on them to make high-level financial decisions. This difference highlights that AI tools should not only be reliable in security aspects, but also should be designed to be user-friendly and have human-like interaction.

2. HUMAN–AI COMPLEMENTARITY IN FINANCIAL DECISION-MAKING

The current Literature Review states that AI can replace humans in delivering financial guidance. And become an AI-powered finance advisor. But Consumers prefer a hybrid model, that is, AI can deliver data-driven insights, but humans should have the authority in making final decisions. Still, consumers rely on human knowledge in making complex and long-term financial decisions like investments and loans(etc).

3. PERCEIVED CONTROL AS A BEHAVIOURAL DRIVER

Consumers prefer to have control over AI-driven systems in the finance industry. Consumers' acceptance and trust grow when they can override the AI recommendation or understand the logic

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

behind the decisions. Perceived control is a unique behavioural factor that is not represented in traditional adoption models.

4. ALGORITHM AWARENESS GAP

The major concern in adopting an AI system is the **algorithm awareness gap.**
Consumers use the AI-powered finance application without understanding the algorithm logic and functions. This gap leads to two extreme opposites behaviours, one is totally relying on AI tools, and the other is complete resistance to AI systems. An explainable interface can help to correct this gap, and it leads to safe usage.

5. Ethical Sensitivity as a Moderating Factor

This research highlights the moderating role of Ethical Sensitivity (the degree of active evaluation of reasonableness, bias and accountability as related to ethical issues) in relation to the extent that ethical issues have been researched in literature. There is evidence of long-term behavioural effects on consumers who have higher levels of ethical sensitivity than those who have lower levels of ethical sensitivity; consumers exhibit caution and loyalty at a greater rate than non-ethical consumers when building trust.

6. BEHAVIOURAL FATIGUE FROM AUTOMATION

The continuous notifications, messages and recommendations from AI tools will lead consumers to experience fatigue. This will affect the consumer engagement with the application. By analysing this response, it is essential to design AI systems to have balanced interaction with consumers.

7. DIFFERENTIAL BEHAVIOUR ACROSS FINANCIAL TASKS

The consumer behaviour in using an AI system varies according to the complexity of the financial activity they are doing. Consumers prefer AI tools more for low-risk financial activities like budgeting and tracking expenses (etc). But consumers reflect less preference towards high-risk financial activities like investment allocation and credit approval. Existing research does not adequately address this task-based behavioural distinction.

8. INTEGRATION WITH EMERGING TECHNOLOGIES

Through further integration of AI into technologies such as blockchain, big data analytics, and cloud computing, this will create greater security in transactions, more efficient data sharing, and ultimately enable the Indian financial system to have real-time financial intelligence available at all times.

FUTURE OF AI IN THE INDIAN FINANCE SECTOR

International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 02 March-April; 2026 Page. No. 796-805

The future of the Indian finance sector will see a major transformation through the use of artificial intelligence (AI) technology, which will enhance efficiency, promote inclusivity and security, and improve customer experiences across the industry. Rapid digital transformation, growing smartphone adoption, and an increasingly supportive regulatory environment will significantly promote financial inclusion for the unbanked and underserved by enabling banks and fintech's to leverage alternative data to assess creditworthiness, thereby allowing the underserved and underbanked populations to access loans. AI-enabled credit scoring and lending models will improve the accuracy of lending decisions, reduce the risks of default and will help to mitigate human bias in making rolling on lending. Within the digital payments space, AI will enhance fraud detection and cybersecurity through the application of real-time monitoring systems and predictive analytics; both of these will serve to increase trust among consumers when processing digital payments. Financial services will continue to become more personalised in both product delivery (e.g., custom financial planning and brokerage services) and in enhancing the customer engagement experience (e.g., smart budgeting, automated savings recommendations). While fully automated robo-advisory services may face challenges with consumer confidence, regulatory concerns and client requirements, hybrid models combining human expertise and AI will become more accepted within the Indian market. Furthermore, AI-based regulatory technology (RegTech) will streamline processes, including compliance, KYC (know your customer) and AML (anti-money laundering) within financial institutions, ultimately reducing operational costs for financial institutions. Future advances in artificial intelligence (AI) within finance in India are expected to more heavily focus on developing AI that is both ethical and explainable, to be able to maintain transparency, fairness and ensure compliance with regulations. As such, the continued sustainable use of AI in the Indian financial services sector will rely on achieving a balance between technical advancements and data privacy, consumer confidence, and sound governance practices.

CONCLUSION

Based on the study, consumer behaviour towards the use of AI-based investment solutions goes beyond traditional factors of perceived usefulness, ease of use, and technical trust. Even though consumers identify the value of AI technology for being highly efficient, accurate, and secure to use, there are additional psychological, ethical, and contextual factors having a substantial impact on their adoption and continuing use of these services. Additionally, the distinction between emotional trust and technical trust indicates that while consumers may functionally trust AI systems, they remain reluctant to rely on them for high-risk financial decisions. As such, developers of AI applications need to create reliable performing applications and provide emotional security. The findings suggest consumers prefer a symbiotic relationship between human experts and artificial intelligence rather than being fully automated; and that perceived control and explainability are significant issues surrounding user acceptance of AI systems, as users have a greater willingness to utilise an AI system

when they can comprehend, question and/or override recommendations provided by an AI system. In addition, the gap in consumer awareness of the algorithms being utilised provides a significant reason for consumers to be educated about and understand the algorithms associated with AI-based products, as well as the frameworks of explainable AI, as this would enhance their ability to utilise AI-based products responsibly and avoid overreliance or resistance. The new areas shaping consumer engagement with fintech applications include ethical sensitivity, automation fatigue, task-specific behaviour (when interacting with the app versus performing a task such as making a deposit), and operational trust recovery. The findings suggest that the balanced approach to successful AI use in the financial sector comes from effective technological efficiency and ethical governance, transparency, and human-inclusive design. These findings have important implications for Fintech developers, financial institutions, and government regulators focusing on building a trustworthy, inclusive, digital-based financial ecosystem.

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