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GENERATIVE AI AS A FINANCIAL ADVISOR : INFLUENCE ON CONSUMER INVESTMENT BEHAVIOUR AMONG YOUNG INVESTORS

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Abstract

Generative Artificial Intelligence (Gen AI) tools, including ChatGPT, Google Gemini, and AI-powered robo-advisory platforms, are increasingly influencing financial decision-making, particularly among Gen Z and Millennial investors. This study examines the impact of Generative AI as a financial advisor on the investment behaviour of young investors using a descriptive secondary-data approach. Data were collected from industry surveys, market reports, regulatory publications, Indian depository statistics, and recent peer-reviewed literature on technology adoption models such as TAM, UTAUT, UTAUT2, and SVAM. The study analyses adoption patterns, behavioural and trust drivers, and key risks associated with AI-assisted financial advice, including misinformation, hallucination, and herd behaviour. Findings indicate that young investors are the fastest adopters of Generative AI, primarily using it for financial education, information seeking, and preliminary investment decisions rather than replacing professional financial advisors. The study also highlights the growing role of AI in transforming investment behaviour and wealth-management practices while emphasizing the need for financial literacy, regulatory oversight, and responsible AI use. The paper concludes with practical implications for investors, financial institutions, and policymakers, acknowledges the limitations of relying solely on secondary data, and suggests directions for future primary research.

Index Terms - Generative Artificial Intelligence, Robo-Advisory, Young Investors, Investment Behaviour, FinTech, Technology Acceptance Model (TAM), UTAUT, Financial Decision-Making.

1. INTRODUCTION

The financial advisory landscape has evolved from traditional human advisors to algorithm-driven robo-advisors and, more recently, Generative Artificial Intelligence (Gen AI). Unlike conventional robo-advisors, Gen AI tools such as ChatGPT and Google Gemini use large language models (LLMs) to provide conversational, personalized, and context-aware financial guidance. Their ability to explain financial concepts, answer open-ended queries, and offer instant support has made them an increasingly popular source of investment information.

The growing adoption of Gen AI coincides with increased participation of Gen Z and Millennial investors in financial markets. As digitally native generations, they are more comfortable using AI-powered technologies for financial education and investment decisions. This convergence has made the influence of Generative AI on young investors' investment behaviour an important area of research.

This study is based entirely on secondary data collected from industry surveys, market reports, regulatory publications, Indian depository statistics, and peer-reviewed literature on technology adoption. It examines how Generative AI influences young investors' decision-making, confidence, market participation, and risk exposure while identifying the opportunities and challenges associated with AI-assisted financial advice.

1.1 Background and Rationale

Recent industry reports indicate that young investors are the largest users of Generative AI for financial purposes. Surveys by Credit Karma and Betterment show that many Gen Z and Millennial investors rely on AI for financial guidance because it provides quick, accessible, and judgment-free advice while helping reduce emotional bias in investment decisions. These trends highlight the need to understand the factors driving AI adoption and its influence on investment behaviour.

1.2 Statement of the Problem

Generative AI differs from traditional financial advisory services by providing conversational, low-cost, and readily accessible guidance. However, it also presents risks such as AI hallucinations, misinformation, and herd behaviour, as it is not subject to the fiduciary responsibilities of licensed financial advisors. These characteristics may improve financial awareness and participation but may also encourage overconfidence and poor investment decisions among inexperienced investors. Therefore, this study investigates the influence of Generative AI on the investment behaviour of young investors using available secondary evidence.

1.3 Objectives of the Study

- To examine the adoption of Generative AI for financial advisory among Gen Z and Millennial investors.
- To identify the behavioural and psychological factors influencing AI adoption.
- To assess the impact of Gen AI on investment decisions, market participation, and risk exposure.
- To evaluate risks associated with AI-generated financial advice, including misinformation, hallucination, and herd behaviour.
- To interpret the findings using Technology Acceptance Model (TAM), UTAUT, and related adoption theories.
- To provide recommendations for responsible and ethical use of Generative AI in investment decision-making.

1.4 Research Hypotheses

Null Hypothesis (H_0): Generative Artificial Intelligence has no significant influence on the investment behaviour of young investors.

Alternative Hypothesis (H_1): Generative Artificial Intelligence has a significant positive influence on the investment behaviour of young investors.

1.5 Significance of the Study

The study provides valuable insights for investors, financial institutions, policymakers, educators, researchers, and FinTech organizations. It supports the development of hybrid advisory models that combine AI efficiency with human expertise while highlighting the need for regulatory oversight and responsible AI adoption. Academically, the study extends technology-acceptance research by examining the emerging role of conversational Generative AI in investment decision-making and contributes to the growing literature on digital finance.

2.LITERATURE REVIEW

2.1 Evolution from Robo-Advisors to Generative AI Financial Advisors

The financial services industry has experienced a rapid digital transformation, beginning with algorithm-based robo-advisors and progressing toward Generative Artificial Intelligence (Gen AI)-enabled financial advisory systems. Robo-advisors traditionally relied on rule-based algorithms to automate portfolio construction, asset allocation, and rebalancing according to investors' risk tolerance and financial objectives (Sironi, 2016). These platforms significantly reduced advisory costs and expanded access to investment management for retail investors. However, their functionality remained largely limited to structured financial recommendations and predefined decision rules.

The emergence of Generative AI, particularly Large Language Models (LLMs) such as ChatGPT and Google Gemini, has fundamentally altered the nature of digital financial advice. Unlike conventional robo-advisors, Generative AI can understand natural language, generate contextual responses, explain complex financial concepts, summarize market developments, and provide personalized educational support during investment decision-making (Dwivedi et al., 2023). Consequently, AI-based advisory systems have shifted from simple portfolio automation toward interactive financial assistants capable of supporting investors throughout the decision-making process.

Industry reports further indicate strong market momentum for AI-driven advisory services. According to Grand View Research (2025) and Fortune Business Insights (2025), the global robo-advisory market continues to expand rapidly due to increasing digitalization, lower advisory costs, and growing acceptance of automated investment platforms. This evolution demonstrates that Generative AI represents not merely a technological enhancement but a significant transformation in investor engagement and financial service delivery.

2.2 Adoption of Generative AI in Financial Services

The adoption of Generative AI has accelerated across the financial services sector, including banking, wealth management, insurance, and investment advisory. Financial institutions increasingly employ AI to automate customer support, enhance risk assessment, personalize investment recommendations, improve fraud detection, and assist advisors in financial planning (EY, 2025).

Advisor360° (2025) reported that 85% of financial advisors considered Generative AI beneficial to their professional practice, representing a substantial increase from previous years. Similarly, Charles Schwab (2026) observed that AI adoption among registered investment advisory firms had more than doubled since 2023, with nearly two-thirds of firms integrating AI into investment operations. Wealth and asset management firms have also expanded AI implementation significantly, with EY (2025) reporting that approximately 95% of organizations were actively increasing their Gen AI capabilities.

Evidence from the Federal Reserve Bank of St. Louis (2025) further suggests that AI adoption has expanded beyond institutional applications into personal financial management, where consumers increasingly use AI tools for budgeting, investment education, and financial planning. These findings indicate that Generative AI is evolving into an important complementary technology supporting both financial professionals and retail investors rather than replacing traditional advisory services.

2.3 Generational Differences in AI-Assisted Investment Behaviour

Previous studies consistently demonstrate that younger investors, particularly Generation Z and Millennials, exhibit higher acceptance of AI-assisted financial technologies than older generations. Digital familiarity, greater technological confidence, and preference for self-directed investing contribute to stronger adoption among younger consumers (Venkatesh et al., 2003; Dwivedi et al., 2023).

Credit Karma (2025) reported that more than four-fifths of young AI users had sought financial advice using Generative AI tools. Similarly, Betterment (2025) found that over half of surveyed investors used AI for financial guidance, while more than one-third consulted AI tools on a weekly basis. Participants commonly reported that AI reduced psychological barriers associated with asking financial questions, improved access to financial information, and minimized emotional biases during investment decision-making.

However, complete replacement of human financial advisors appears unlikely. According to the Northwestern Mutual/Harris Poll (2025), although only a small proportion of investors trusted AI more than professional advisors, nearly half preferred financial advisors who incorporated AI into their practice. Most respondents continued to value human judgment, empathy, ethical responsibility, and personalized financial relationships. These findings suggest that hybrid advisory models integrating AI capabilities with professional expertise may become the dominant approach in future wealth management.

2.4 Risks of Generative AI: Misinformation, Hallucinations, and Herd Behaviour

Despite considerable opportunities, Generative AI introduces several behavioural, ethical, and regulatory challenges. One of the most significant concerns is AI hallucination, in which language models generate inaccurate, fabricated, or misleading financial information while presenting it with high confidence (OpenAI, 2024). Such inaccuracies may adversely influence investment decisions, particularly among financially inexperienced investors.

Regulatory authorities, including the U.S. Securities and Exchange Commission (SEC, 2024) and the Consumer Financial Protection Bureau (CFPB, 2024), have emphasized the importance of transparency, accountability, and human oversight when AI systems are used for financial decision support. These organizations caution that excessive reliance on AI-generated recommendations may expose investors to misinformation, biased outputs, and inappropriate investment advice.

Nationwide (2026) further reported that approximately one-third of investors aged 18–54 had acted upon misleading financial information obtained online, with the highest prevalence observed among Generation Z investors. Researchers also argue that standardized AI-generated recommendations may contribute to herd behaviour, reduce investment diversification, amplify market sentiment, and increase systemic financial risks during periods of market volatility (Bikhchandani, Hirshleifer, & Welch, 1992). These concerns reinforce the need for financial literacy, regulatory safeguards, and human verification of AI-generated investment recommendations.

2.5 Theoretical Framework: Technology Acceptance Models

The acceptance of AI-powered financial advisory services has frequently been explained using established technology adoption theories. The Technology Acceptance Model (TAM) developed by Davis (1989) proposes that perceived usefulness and

perceived ease of use significantly influence users' intentions to adopt new technologies. Subsequently, the Unified Theory of Acceptance and Use of Technology (UTAUT) expanded this framework by incorporating performance expectancy, effort expectancy, social influence, and facilitating conditions as key determinants of technology adoption (Venkatesh et al., 2003).

Recent research extends these traditional models by emphasizing additional psychological and behavioural factors relevant to AI adoption. Trust in AI systems, financial literacy, self-efficacy, anthropomorphism, perceived value, perceived risk, and transparency have emerged as important determinants influencing investors' willingness to rely on AI-generated financial advice (Alkaraan et al., 2024; Dwivedi et al., 2023).

More recently, the Self-Efficacy-Based Value Adoption Model (SVAM) has demonstrated stronger explanatory power than conventional adoption models by integrating users' confidence in technology, perceived value creation, and behavioural intentions within AI-driven financial advisory contexts. This emerging theoretical perspective suggests that investor adoption of Generative AI depends not only on technological capabilities but also on psychological confidence, financial knowledge, and perceived reliability of AI-generated recommendations.

Research Gap

Although the literature on artificial intelligence, robo-advisors, and FinTech adoption has expanded considerably, several important research gaps remain. First, most empirical studies have focused on traditional robo-advisory platforms rather than conversational Generative AI systems such as ChatGPT and Google Gemini. Second, existing research primarily examines technology adoption intentions, while limited attention has been given to the influence of Generative AI on actual investment behaviour among young investors. Third, there is insufficient integration of behavioural finance, technology adoption theories, and financial literacy perspectives within a single conceptual framework. Finally, evidence from emerging economies, particularly India, remains limited despite the rapid growth of AI adoption among young retail investors. Addressing these gaps, the present study synthesizes recent literature (2024–2026) to examine how Generative AI influences the investment behaviour of young investors and identifies future directions for empirical research.

3. RESEARCH METHODOLOGY

3.1 Research Design

This study adopts a descriptive-analytical research design based entirely on secondary data. It synthesizes evidence from industry surveys, market reports, regulatory publications, government statistics, and peer-reviewed literature to examine the influence of Generative AI on the investment behaviour of young investors.

3.2 Sources of Secondary Data

Secondary data were collected from the following sources:

Industry and consumer surveys: Advisor360°, Charles Schwab, EY, Betterment, Credit Karma, Northwestern Mutual, Nationwide, and Deloitte.

Market and industry reports: Fortune Business Insights, SNS Insider, The Business Research Company, and GlobalGrowth Insights.

Government and regulatory publications: U.S. Securities and Exchange Commission (SEC), Consumer Financial Protection Bureau (CFPB), and the Federal Reserve Bank of St. Louis.

Indian financial statistics: NSDL, CDSL, NSE, Outlook Money, Business Standard, SBI Securities, and Acumen Group.

Academic literature: Peer-reviewed studies and conference papers published in Springer Nature, ScienceDirect, Frontiers in Artificial Intelligence, IntechOpen, SSRN, arXiv, and other Scopus-indexed journals.

3.2.1 Search Strategy

A systematic literature search was conducted using Google Scholar, Scopus, SpringerLink, ScienceDirect, SSRN, and government publications. Studies published between 2023 and 2026 were identified using keywords including Generative AI, Artificial Intelligence, Young Investors, Investment Behaviour, Financial Advisory, FinTech, Robo-Advisors, and Technology Acceptance Model (TAM).

3.3 Data Collection and Selection Criteria

Studies were selected based on recency, credibility, and relevance to Generative AI, investment behaviour, and financial advisory services. Multiple market estimates were considered where differences existed across research reports.

Inclusion Criteria

Peer-reviewed journal articles, conference papers, government reports, regulatory publications, and recognized industry reports published between 2023 and 2026.

Studies related to Generative AI, FinTech, financial advisory, and investment behaviour.

Exclusion Criteria

Duplicate studies, opinion articles without empirical evidence, non-English publications, and studies unrelated to investment behaviour.

3.4 Method of Analysis

The collected data were analysed using thematic analysis under four categories: (i) AI adoption and usage patterns, (ii) behavioural and trust drivers, (iii) effects on investment behaviour and market participation, and (iv) associated risks and limitations. Findings were interpreted using the Technology Acceptance Model (TAM), UTAUT, UTAUT2, and SVAM.

3.5 Scope and Limitations of the Methodology

As the study relies exclusively on secondary data, it cannot establish causal relationships or verify the methodologies of the original surveys. The findings depend on the quality of existing literature and reports. A conceptual framework was also developed to explain how perceived usefulness, ease of use, trust, and financial literacy influence the adoption of Generative AI and investment decision-making among young investors.

4. DATA ANALYSIS AND DISCUSSION

4.1 Adoption of Generative AI for Financial Advice

Secondary evidence indicates that Generative AI is increasingly used for financial advice, particularly among Gen Z and Millennials. Credit Karma (2025) reported that 82% of young AI users sought financial advice through Generative AI, making them two to three times more likely than Baby Boomers to use AI for financial tasks. Betterment found that 53% of respondents used AI for financial advice, with 38% using it weekly. On the institutional side, Advisor360° (2025) reported that the proportion of advisors considering Gen AI helpful increased from 64% in 2024 to 85% in 2025, while Charles Schwab (2026) found that AI adoption among registered investment advisors had more than doubled since 2023.

4.2 Behavioural and Trust Drivers

Three major factors encourage young investors to adopt Generative AI. First, psychological comfort, as many users feel more comfortable asking AI financial questions without fear of judgment. Second, reduced emotional bias, with many investors using AI to support objective decision-making. Third, cost and accessibility, since AI tools are generally free, available 24/7, and easy to use. However, trust in AI remains limited. The Northwestern Mutual/Harris Poll found that fewer than 15% of investors trust AI more than human advisors, while 47% prefer advisors who use AI and 65% still value human involvement. These findings indicate that Generative AI complements rather than replaces professional financial advice.

4.3 Effects on Investment Behaviour and Market Participation

Market-level evidence suggests that digital technologies, including Generative AI, are encouraging greater retail participation in financial markets. In India, demat accounts increased from approximately 4 crore in FY20 to over 22 crore by mid-2026, with nearly 75% of new accounts in 2025 opened by investors under 30 years of age. Digital brokerage platforms such as Groww and Angel One accounted for over 57% of NSE's new active accounts in FY25. Although this growth cannot be attributed solely to Generative AI, the increasing use of AI-enabled financial tools appears to reduce information barriers and encourage first-time investment among young investors.

4.4 Risks: Hallucination, Misinformation, and Herd Behaviour

Despite its benefits, Generative AI presents several risks. Nationwide (2026) reported that 34% of investors aged 18–54 had acted on misleading online financial information, increasing to 41% among Gen Z investors. Regulatory bodies such as the SEC and CFPB have also warned about AI hallucinations, where AI systems generate inaccurate or fabricated financial information. Furthermore, similar AI-generated recommendations may encourage herd behaviour, leading investors toward the same assets and reducing portfolio diversification.

4.5 Synthesis through the Technology Acceptance Lens

The findings align with TAM, UTAUT, and SVAM frameworks. Perceived usefulness, ease of use, performance expectancy, and facilitating conditions explain the growing adoption of Generative AI among young investors, while social influence and trust shape investment behaviour. Although users continue to prefer human oversight for complex financial decisions, Generative AI increasingly serves as an initial decision-support tool by improving financial knowledge, simplifying investment information, and assisting preliminary decision-making. Overall, the evidence suggests that Generative AI functions as a complementary rather than a substitute financial advisor for young investors.

5. SUMMARY OF KEY FINDINGS

Table 1 summarises the major findings from the reviewed literature and secondary data on the adoption of Generative AI in financial advisory services and its influence on young investors' investment behaviour.

Theme	Key Finding	Source
Adoption	82% of Gen Z/Millennials using Gen AI have used it for financial advice; usage is 2–3 times higher than Baby Boomers.	Credit Karma (2025) via X1 Wealth
Adoption	53% of respondents use AI for financial advice; 38% use it weekly.	Betterment (2025)
Advisor-side adoption	85% of advisors consider Gen AI helpful (up from 64%); perceived threat declined from 21% to 8%.	Advisor360° (2025)
Advisor-side adoption	AI adoption among RIAs more than doubled since 2023; 63% of firms now use AI.	Charles Schwab (2026)
Trust	Less than 15% trust AI more than human advisors; 47% prefer AI-assisted advisors, while 65% still want human involvement.	Northwestern Mutual/Harris Poll (2025)
Misinformation risk	34% of investors aged 18–54 and 41% of Gen Z acted on misleading online financial information.	Nationwide (2026)
India market growth	Demat accounts increased from approximately 4 crore (FY20) to over 22 crore (2026); about 75% of new accounts in 2025 were opened by investors under 30.	NSDL, CDSL, NSE; JETIR (2025); Ashika (2025)
Market size	Global robo-advisory market estimated at USD 10–17 billion (2025–26), with projected CAGR of 26–32%.	Fortune Business Insights; SNS Insider (2026)
Theory	Performance expectancy, trust, and anthropomorphism influence AI adoption; SVAM explains adoption better than TPB/UTAUT2.	Springer (2025); Frontiers (2026)

Overall, the evidence indicates that Generative AI is reshaping how young investors obtain financial information and make investment decisions. While AI enhances accessibility, financial literacy, and decision support, responsible use, critical evaluation, and regulatory oversight remain essential to reduce risks associated with AI-generated financial advice.

6. IMPLICATIONS

The findings indicate important implications for investors, financial institutions, and regulators regarding the adoption of Generative AI in investment advisory.

6.1 For Young Investors

Gen AI improves financial literacy and encourages early investment participation by providing easy access to financial information. However, investors should verify AI-generated advice with reliable sources before making investment decisions**.**

6.2 For Financial Institutions and Advisors

Financial institutions can adopt hybrid advisory models that combine Gen AI for routine support with human expertise for personalised advice, compliance, and complex financial decisions.

6.3 For Regulators and Policymakers

Regulators should strengthen guidelines on AI-generated financial content, promote transparency, and address risks such as misinformation and conflicts of interest, especially for young investors relying on AI and social media for financial guidance.

7. LIMITATIONS OF THE STUDY

Secondary data reliance: Findings depend on the quality and credibility of published sources and industry reports.

Variation in estimates: Market size and adoption figures differ across reports due to varying methodologies.

No causal relationship: The study identifies associations but cannot establish that Gen AI directly influences investment behaviour.

Limited India-specific data: Most behavioural evidence is from international studies, with limited Indian research available.

Rapidly changing field: As Generative AI evolves quickly, the findings represent a current snapshot and may change over time..

VIII. DIRECTIONS FOR FUTURE RESEARCH

Conduct primary surveys or experiments to examine the impact of Gen AI on investment decisions.

Undertake India-specific and other regional studies to understand young investors' AI adoption and behaviour.

Use longitudinal studies to assess the long-term effects of Gen AI-assisted investing.

Extend SVAM/UTAUT2 models to conversational Generative AI advisors.

Apply SEM, Smart PLS, or AMOS to analyse relationships among AI adoption, trust, financial literacy, and investment behaviour.

9. CONCLUSION

The review indicates that Generative AI is becoming an important tool for young investors, offering greater accessibility, convenience, and support in investment decision-making. While AI improves financial awareness and efficiency, concerns such as misinformation, hallucinations, and over-reliance highlight the need for human oversight, financial literacy, and effective regulation. Overall, Generative AI should be viewed as a complement to human financial advisors rather than a replacement, with further primary research needed to examine its long-term impact on investment behaviour and financial outcomes.

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