



Understanding the Drivers of Fin Tech Adoption among Gen Z through Digital Trust, Financial Self-efficacy, and Perceived Risk

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Abstract:

The rapid introduction of Financial Technology in every aspect of life is increasing its importance in the global landscape. It is popular in Banking, insurance, financial advisory, and management sectors. Generation Z is a group of consumers who are more technologically connected, that uses mobile banking, digital payments, UPIs, and other Fintech components as a part of their daily activities. Though FinTech is a technology, the adoption of FinTech depends mainly on the behavioral and psychological aspects. These factors are digital trust, financial self-efficacy, and perceived risk.

The study aims to observe the impact of the above three components on FinTech adoption among Gen Z by proposing an integrated model. A quantitative study based on primary data is carried out where a structured questionnaire using 5 Pointer Likert scale is framed. Partial Structural Equation Modelling is used to test the hypothesis. Based on the proposed model, the influence of three factors has tested.

The study contributes valuable insights to the traditional technology adoption theories through the integration of behavioral and psychological aspects. The findings are helpful to the banking, insurance, and other sectors that use Fintech and to all the financial institutions and their regulators offering and regulating the services to Generation Z. The study provides a foundation model for future work in the FinTech ecosystem.

Keywords: Generation Z, FinTech adoption, Digital Trust, Financial Self-Efficacy, Perceived Risk

INTRODUCTION

With the introduction of blockchain and Cryptocurrency in Fintech, it has expanded its horizon at a global level. Technologies like Robo Advisory, LendTech, RegTech, and digital payments, AI, IoT, and Big data enhanced its efficiency and made ease in handling the financial management

and helped in financial inclusion and Growth (Davis, 1989; Kajol et al, 2022). These technologies are fast, easily accessible, cheaper, and more convenient than the traditional system. The Fintech system uses the Digital, AI enabled and algorithm bases platforms (Arner et al, 2016; Lee in & Shine Yong Jae, 2018). The fast and growing digital financial services consider the factors influencing individuals to adopt and use Fintech attracts the attention of academician, researchers towards it.

Gen Z (2997-2012) are the native users of digital technologies for financial management. This generation is the generation that is in continuous touch with smartphones, the internet, and internet-related things (Anand et al., 2024). However, the use of Fintech is not only influenced by the technological effectiveness but also by the behavioral and psychological factors of Gen Z (Alruthaya et al., 2021; Prawira & Riyadi, 2025). Considering the various theories like the Technology Acceptance Model TAM), the Theory of Acceptance and Use of Technology (UTAUT) helps to understand the behavioral and psychological aspects of Gen Z, which is impacting the adoption of FinTech by this generation. Financial competency and knowledge of digital platforms boost confidence in using innovative Fintech services, and it is a main motivation behind their adoption (Firmansyah et al, 2023).

Digital Trust, Financial self-efficacy, and Perceived risk are the key determinants of the factors affecting the adoption of FinTech. Confidence in the financial platform and trust in it reflect a concept of Digital Trust. Financial Self- Efficacy shows the individual's trust on individuals' own ability to manage financial transactions and to make decisions, whereas Perceived Risk points out the financial fraud, privacy, and security issues on financial platforms (Bandura 1997, Lusardi & Michell, 2014; Jafri et al 2014).

In spite of growing attention towards this topic, limited studies have been presented on it. Hence, the current study aims to understand how Digital Trust, Financial Self-Efficacy, and Perceived Risk impact Gen Z in their financial decisions and their by decide their behavior. It helps policymakers and financial institutions to gain practical insights.

MODEL:

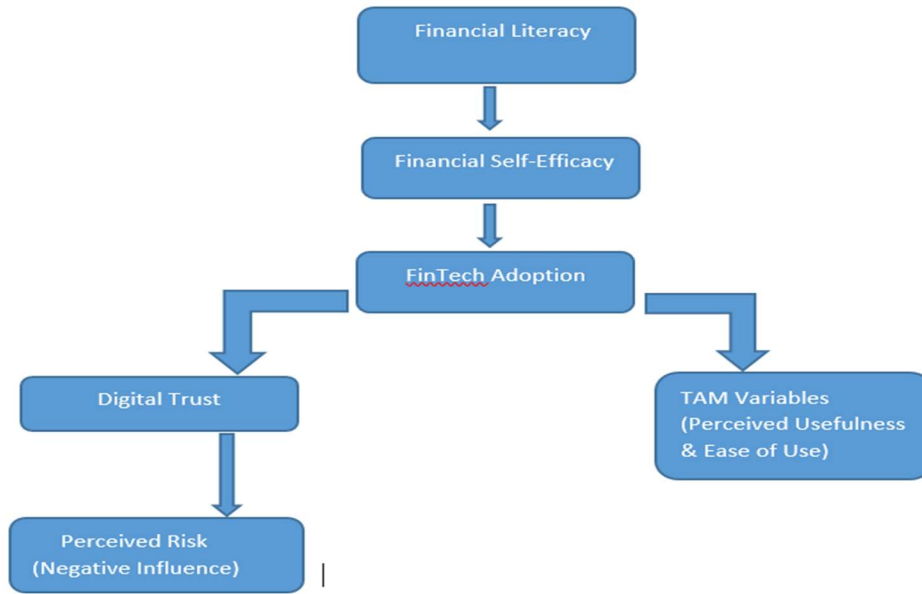


Fig.1: Drivers of Fintech adoption among Gen Z model

LITERATURE REVIEW:

Fintech is the integration of Finance and technology, which covers many emerging trends in Finance. It includes Digital Payments, Mobile Banking, InsurTech, WealthTech, Robo-advisory, and many more. The evolution of Fintech began in 2008, and the very first theory applied was the Technology Acceptance Model (TAM). (Fred D. Davis, 1989). The model concentrates on the perception of people on the usefulness and ease that the technology provides in every field. Fintech is evolving with various new terminologies like AI, data science, cryptocurrency, and blockchain. Fintech has emerged as a technology increasing operational efficiency and customers' experience. (Cao et al., 2020). The shift from technology into financial services and the impact of this introduction on the behavioral and psychological aspects are being considered. The study of Kajol et al. 2022) highlights that the use and effectiveness of technology are the determinants of Fintech adoption, but with it, factors like risk and social influence also play a crucial role in its acceptance. Trust and security risks are important pillars in the acceptance of Fintech (Jafri et al, 2024). Hence, financial literacy, financial technology inclusion, and cybersecurity awareness are the emerging research areas in Fintech (Sharma et al, 2024). Hence, the scope of Fintech crosses national boundaries and becomes a global emerging and hot topic of research (Sharma et al, 2024).

Gen Z is the base of the users of the Fintech services, hence it is called Digital natives. The use of mobile technology, digital wallets, and open banking makes them digital natives of the Fintech, but issues like trust, security, and financial capability are the decision makers for such technology (Alruthya et al., 2021). The factors like ease in the technology, high service quality are the impacting factors on the security protection, privacy (Prawira and Riyadi, 2025). In addition to these points, Artificial Intelligence-enabled services are the most important factor for Gen Z (Ismail et al., 2025). Considering that these technological factors are not enough, psychological factors are important to integrate with the above factors to understand the technology adoption of Gen Z.

The use of Fintech among Gen Z is supported by various popular theories. As explained earlier, the Technology Acceptance Model (TAM) is the most popular and primary model in this study (Davis1989). In addition to the TAM model, the Unified Theory of Acceptance and Use of Technology (UTAUT) introduced the additional factor of social influence as an important factor influencing customers' choice to accept the Fintech (Vyanktesh et al., 2003). Advancing to this study (Vyanktesh et al 2012) considered other factors like price, habit, and motivation from the customer's end. These studies were only concentrating on the technological aspects, but the customer who is accepting this technology is influenced by their own behavior and psychological factors. And these factors are considered later by the studies of (Kajol et al, 2022; Jafri et al,2024).

Financial literacy is a crucial factor and key determinant of an individual's decision-making and acceptance of financial technology. It is the ability of an individual to take informed decisions on financial knowledge (Lusardi and Mitchell, 2014). Gen Z are financial literate and more confident and favorable to the digital platforms and Fintech applications (Fintech Era,2025). This generation is more dependent on Fintech for their financial management and uses it more efficiently (Kajol et al, 2022).

Financial Self-efficacy is an important factor affecting the behavior of the individual for the acceptance of the Fintech service. Financial Self-efficacy is the ability of the individual to manage finances and make effective decisions. It is a factor that motivates an individual and is the ability to perform a task (Bandura 1997). Financial self-efficacy motivates an individual to adopt more Fintech services.

Perceived Risk is the most important factor affecting the Fintech adoption by Gen Z. It is about the individual assumption about the fraud, losses, or uncertainty, and security on the fintech platforms using Fintech services. In the consumer behavior subject, the perceived risk concept was first introduced (Bauer, 1960), where its impact on behavioral and psychological aspects was introduced in consumers' purchase decisions (Cunningham, 1967). This factor is considered of higher importance in the study of (Featherman and Pavlou, 2003), where it shows that it impacts users' willingness to adopt electronic services. (Pavlou2003) The study supports that perceived risk negatively effects on consumer's behavioral intentions in online transactions. Security and privacy issues negatively impact mobile payments (Oliverra et al 2016). In addition, Ryu 2018) found that in the existence of digital payments, even if financial and legal risk exists, the consumers' behavior for digital payments becomes negative.

These findings show the acceptance of Fintech by Gen Z, but at the same time, it is also important to understand the factors influencing the adoption of Fintech by Gen Z.

HYPOTHESIS:

Based on the above discussion, the hypotheses are:

H1:

Digital trust has a positive and significant impact on the Fintech adoption among Gen Z.

H2:

Financial self-efficacy has a positive and significant impact on the Fintech adoption among Gen Z

H3:

Perceived Risk has a negative and significant impact on Fintech adoption among Gen Z.

RESEARCH METHODOLOGY:

A structured questionnaire is used to evaluate the impact of factors on Fintech adoption among Gen Z. The study is quantitative, where primary data is collected through convenience sampling.

The respondents are Gen Z born from the year 1997 to 2012. A five-point Likert scale is used, where 1 indicates strongly disagree, and 5 indicates strongly agree. The data is analyzed through a partial structural Equation model with smart pls. Cronbach’s Alpha and Composite Reliability are used to prove the reliability and validity. For the study, 200 samples were analyzed, which included college students, salaried persons, and businesspeople.

MEASURES:

The scale for Digital Trust is used from David Gefen et al (2003), where the total number of items is four. For financial self-efficacy, the scale from Lown (2011) is used, where four items are used; the Featherman & Pavloy (2003) scale for Perceived Risk is used, from which five items have been taken, and for Fin Tech adoption, a popular scale of Viswnath Venkatesh et al (2003) has been used, where 5 items are present.

DISCUSSION:

The model was verified for reliability and validity. Cronbach's alpha and Composite reliability are the same. The Cronbach’s value ranges between 0.81 and 0.89. The composite reliability value ranges here from 0.85 to 0.91. It is above the expected minimum value, i.e., 0.85.

The structural model using SmartPLS is used for 200 samples. The values for digital trust show $\beta = 0.43$, $t = 7.26$, $p < 0.001$, which indicate that digital trust is a significant factor which is positively affects FinTech adoption. The Financial Self-efficacy shows a positive and significant impact on the Fintech Adoption with the values $\beta = 0.31$, $t = 5.14$, $p < 0.001$, and for Hypothesis 3, which is related to the Perceived Risk, shows a strong negative relationship with the Fintech adoption with the values $\beta = -0.24$, $t = 4.08$, $p < 0.001$. With all these values, all hypotheses are supported strongly.

Hypothesis	Relationship	β	T-test	p-value	Decision
H1	Digital Trust – strong and positive with Fintech adoption	0.43	7.26	<0.001	Accepted
H2	Financial Self-Efficacy- strong and positive with Fintech adoption	0.31	5014	<0.001	Accepted

H3	Perceived Risk – Strong and negative with Fintech Adoption	-0.24	4.08	<0.001	Accepted
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Table No. 1: Hypothesis-testing

The findings suggest that all three factors, Digital Trust, Financial Self-Efficacy, and Perceived Risk, indicate a strong relation with Fintech adoption among Gen Z (Shown in Table No. 1). Digital trust is a strong influencer in decision-making for Gen Z. This is also supported by the results published by Jafri et al. (2024). Hence, if Gen Z is confident and has trust in the security of Fintech services platforms, then it increases the willingness to use those Fintech platforms. Hence, trust is a crucial factor in its usage.

Financial Self-Efficacy indicates confidence of an individual in their own ability to use Fintech services. Both factors are positively and strongly related, as supported by the study of Bandura (1997). This indicated that Gen Z with high financial self-efficacy is more likely to adopt Fintech services. Hence, Gen Z considers itself more able to take financial decisions through the use of Fintech.

Perceived Risk is the factor negatively affecting the Fintech adoption by Gen Z (shown in Fig 1). It is strongly supported by various studies show that if Gen Z people are doubtful about the Fintech platform security, fraud cases, and privacy breaches, then they will not adopt the Fintech service, but if they are secure and confident about the above points, then they will definitely have positive adoption of the Fintech. If Gen Z faces any security-related issues on some platform, they will discontinue with the use of those platforms in the future.

In brief, Perceived Risk negatively affects the Fintech adoption of Gen Z, whereas Digital Trust and Financial Self-Efficacy boost the use of Fintech in Gen Z if influencing positively.

LIMITATION OF THE STUDY:

The study has a limitation in putting causal relationship among the study variables. Use of Longitudinal studies helps to remove this limitation. The current study is a cross-referral study.

Generation Z is considered a native generation for digital services, but other generations can have different results. Hence, the study can be included or done separately on millennials. The results can be different and can provide different insights for the study.

The model considers only three components affecting Fintech Adoption, whereas other factors like social factors, awareness, and ease in technology and its usefulness will provide different insights.

The use of convenience samples may give different results for different sets of samples, which can be a challenge with different locations, states, or people.

FUTURE WORK:

1. The study is used basic model, where the dependent and independent variables are present like it is considering the Gen Z and factors impacting on the choice of adoption of Fintech but using a mediator, like economic factors, knowledge factors the model will be more acceptable and effective.
2. The studies can be conducted to check the use of Fintech innovation in various fields and its impact on those sectors, like blockchain-based financial services, Central banking digital services, awareness and adoption of different cryptocurrencies in the Indian scenario

CONCLUSION:

Briefly, the study mainly highlights that Digital trust and financial self-efficacy enhance Fintech adoption, whereas the lower the perceived risk, the higher the Fintech adoption among Generation Z people. These are helpful to the financial institutions, policy makers, government, and every organisation that uses the Fintech platform in the digital ecosystem.

ETHICAL CONSIDERATION AND RISKS

1. Respondents have participated voluntarily in the study and have taken an informed consent form from the participants.

2. Privacy in the sample information is used
3. Use of Grammarly and AI is done for language accuracy.

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