AI-Driven Personal Financial Planning and Financial

Ankit Kamble, Aditya Dhandarphale

Student, Student

Marketing

Institute of Management Development and Research (IMDR), Pune – India

Kambleankit99@gmail.com adityadhandarphale018@gmail.com

1. Abstract

This study explores the awareness, adoption, and effectiveness of AI-driven personal financial planning tools among working professionals in India, aged 25–45. It examines user perceptions, trust levels, and challenges such as data privacy, cybersecurity, and the lack of human interaction. The research highlights the underutilization of AI tools for long-term financial goals like retirement planning and emphasizes the need for regulatory transparency and ethical frameworks to enhance user confidence. Findings reveal that while AI tools are widely adopted for short-term financial management, trust remains a significant barrier. Recommendations include improving tool accuracy, integrating human support, and increasing awareness of long-term planning features.

Keywords: AI-driven financial tools, personal financial planning, financial literacy, robo-advisors, data privacy, retirement planning, regulatory transparency.

2. Introduction

The integration of Artificial Intelligence (AI) in personal financial planning has revolutionized how individuals manage their finances. AI-powered tools like robo-advisors, budgeting apps, and investment platforms leverage machine learning and data analytics to provide personalized financial advice, automate decision-making, and enhance financial literacy. Despite their potential, challenges such as trust issues, data security concerns, and limited adoption for long-term planning persist. This study focuses on working professionals in India, assessing their awareness, usage patterns, and perceptions of AI-driven financial tools. By addressing these aspects, the research aims to bridge the gap between technological advancements and user confidence in AI-based financial solutions.

3. Research Objectives

The study aims to:

1. Assess the awareness and adoption of AI-driven financial planning tools among individuals.

2. Evaluate the perceived effectiveness of AI tools in achieving financial goals, including budgeting, saving, investing, and retirement planning.

3. Examine user trust in AI-generated financial advice and the influence of cybersecurity and data privacy concerns.

4. Understand user expectations regarding regulation, transparency, and the ethical use of AI in personal financial planning.

3.2 Problem Statement & Objectives of the Study

Despite the growing popularity of AI-based financial tools, there is limited understanding of how working professionals in India use and trust these tools. Concerns around data privacy, cybersecurity, and the lack of regulatory awareness hinder widespread adoption. This study addresses these gaps by analyzing user behavior, trust levels, and the effectiveness of AI tools in personal financial planning.

3.3 Scope of the Study

The study focuses on working professionals aged 25–45 in India, covering AI tools such as robo-advisors, budgeting apps, and investment platforms. It examines awareness, adoption patterns, effectiveness, trust, and perceived risks like data privacy and cybersecurity. The geographical scope is limited to urban and semi-urban populations, with data collected through a structured questionnaire.

4. Methodology

The research adopts a descriptive design, collecting primary data via a questionnaire distributed to 50+ respondents. The sampling framework targets working professionals in India, using non-probability convenience sampling. Data analysis involves quantitative methods to assess trends and behaviors. Limitations include geographical bias, income representation, and reliance on self-reported data.

4.2 Sources of Data Collection

- **Primary Data**: Collected through a Google Forms questionnaire targeting demographics, tool usage, trust, and concerns.

- **Data Type**: Quantitative, analyzed using percentages and descriptive statistics.

4.3 Sampling Framework

- **Population**: Digitally active professionals in India.

- **Sample Size**: 50+ responses.

- **Technique**: Convenience sampling (non-probability).

4.4 Limitations of the Study

- Geographical bias (urban-centric).

- Income representation skewed toward middle-income groups.

- Self-reported data potential biases.

5. Literature Review

5.1 Empirical Studies

- **Gupta & Mehra (2021):** Found that 62% of urban salaried individuals using robo-advisors improved their savings and investment plans.

- **Kumar & Rao (2022):** Demonstrated a 30% increase in financial literacy among students using AI chatbots.

- **Patel et al. (2020):** Reported an 18% improvement in monthly savings due to AI-driven budgeting apps.

- **Saxena & Deshmukh (2023):** Highlighted disciplined investment behavior among robo-advisor users but noted low engagement among older adults.

5.2 Research Gaps Identified

1. Limited focus on working professionals aged 25–45.

2. Underexplored role of AI in retirement and long-term planning.

3. Insufficient research on cybersecurity and data privacy concerns.

4. Lack of user-centric perspectives on regulation and ethics.

6. Analysis & Interpretations of the Study

- **Awareness and Adoption:** 78.4% of respondents were aware of AI tools, with investment platforms (82.4%) and budgeting apps (66.7%) being the most used.

- **Effectiveness:** 58.8% reported improved savings, but only 27.5% rated AI insights as highly accurate.

- **Trust and Concerns:** 41.2% distrusted AI advice, with data privacy (70.6%) and cybersecurity (70.6%) as top concerns.

- **Long-Term Planning:** Only 17.6% used AI for retirement planning, and 56.9% were uninterested.

7. Theoretical Background

AI in financial planning uses machine learning and predictive analytics to automate budgeting, investing, and risk assessment. Tools like robo-advisors and chatbots enhance decision-making but face trust and personalization challenges

7.1 Conceptual Framework of the Study

The study is grounded in the principles of AI-driven financial planning, emphasizing machine learning, natural language processing, and predictive analytics. It explores how these technologies enhance budgeting, investment, and long-term planning while addressing user trust and regulatory needs.

8. Findings & Recommendations

8.1 Findings:

1. High awareness but moderate trust in AI tools.

2. Dominant usage for short-term goals, with limited adoption for retirement planning.

3. Strong concerns about data privacy and cybersecurity.

8.2 Recommendations:

1. Increase awareness of AI tools for long-term planning.

2. Enhance transparency and government regulation.

3. Integrate human support with AI tools.

4. Improve tool accuracy and personalization.

5. Launch educational initiatives to boost financial literacy.

9. Conclusion

The study underscores the potential of AI in personal financial planning but highlights critical barriers like trust and regulatory uncertainty. Addressing these challenges through transparency, ethical frameworks, and user education can enhance adoption and effectiveness. Future research should explore longitudinal behavior changes, broader demographics, and policy-oriented studies to further validate these findings.

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