



Beyond Traditional Financial Advice: Human–AI Collaboration and Its Implications for Financial Decision Quality and Financial Well-Being Using Structural Equation Modeling

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ABSTRACT

The rapid advancement of Artificial Intelligence (AI) has significantly transformed the landscape of personal financial planning by introducing intelligent advisory systems, robo-advisors, and data-driven decision-support tools. This study explores the implications of Human–AI Collaboration in personal financial planning, with a particular focus on Financial Decision Quality and Financial Well-Being. The study aims to examine how the integration of human expertise and AI-driven financial technologies influences individual financial outcomes. A structured questionnaire was administered to 284 respondents, and the collected data were analyzed using Structural Equation Modeling (SEM) to assess the proposed relationships among the study constructs. The findings indicate that Human–AI Collaboration has a significant positive

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influence on Financial Decision Quality. Similarly, Trust in AI-Based Financial Advisory Systems and Financial Literacy were found to be significant predictors of improved financial decision-making. However, the study reveals that Human–AI Collaboration and Trust in AI do not directly enhance Financial Well-Being, suggesting that the benefits of AI-assisted financial planning are primarily realized through improved decision quality rather than through immediate financial outcomes. The results highlight the importance of combining technological intelligence with human judgment to achieve more effective financial planning. The study contributes to the growing literature on AI-enabled financial services and offers valuable insights for financial institutions, policymakers, and technology developers seeking to enhance the effectiveness of AI-driven financial advisory solutions. Future research may further investigate the mediating and moderating factors influencing AI adoption and financial well-being.

1. Introduction

The rapid advancement of Artificial Intelligence (AI) has transformed numerous industries across the globe, and the financial services sector is among the most significantly affected. The integration of AI technologies into financial systems has reshaped the manner in which individuals access financial information, manage investments, evaluate risks, and make financial decisions. Traditionally, personal financial planning relied heavily on human financial advisors who offered professional guidance based on their expertise, experience, and understanding of clients' financial needs. However, the emergence of AI-powered financial technologies has introduced new possibilities for delivering personalized, data-driven, and efficient financial advice.

Personal financial planning is a systematic process through which individuals assess their current financial position, establish financial goals, and formulate strategies to achieve long-term financial security and well-being. Effective financial planning involves various activities such as budgeting, savings management, investment planning, retirement preparation, tax management, insurance selection, and risk assessment. In an increasingly complex financial environment characterized by volatile markets, diverse investment products, and growing financial uncertainties, individuals often face challenges in making informed



financial decisions. As a result, the demand for intelligent financial advisory solutions has increased considerably.

Artificial Intelligence has emerged as a powerful tool capable of addressing many of these challenges. Modern AI applications utilize machine learning algorithms, predictive analytics, natural language processing, and big data technologies to analyze vast amounts of financial information and generate personalized recommendations. Financial institutions and technology companies are increasingly deploying AI-driven solutions such as robo-advisors, automated investment platforms, intelligent budgeting applications, and virtual financial assistants. These technologies provide users with real-time insights, portfolio recommendations, risk assessments, and financial forecasts, thereby enhancing the accessibility and efficiency of financial planning services.

Despite the growing capabilities of AI, financial decision-making remains a complex process that often requires human judgment, emotional intelligence, ethical considerations, and contextual understanding. Financial decisions are not based solely on numerical calculations but are also influenced by personal preferences, risk tolerance, life circumstances, and future aspirations. Consequently, many experts argue that AI should not be viewed as a complete replacement for human financial advisors. Instead, AI and human expertise can work together to create a collaborative decision-making environment that leverages the strengths of both parties.

This collaborative approach has led to the emergence of the concept of Human–AI Collaboration in personal financial planning. Human–AI Collaboration refers to the integration of human intelligence and artificial intelligence in a manner that enables better decision-making outcomes than either humans or machines could achieve independently. While AI contributes computational power, analytical accuracy, pattern recognition, and data-processing efficiency, humans provide critical thinking, ethical reasoning, intuition, and contextual interpretation. The combination of these complementary capabilities has the potential to improve the quality of financial decisions and enhance overall financial outcomes.

One of the key outcomes associated with effective personal financial planning is Financial Decision Quality. Financial decision quality refers to the extent to which financial decisions are informed, rational, objective, and aligned with an individual's financial goals. High-quality financial decisions contribute to better resource allocation, improved investment performance, reduced financial risks, and enhanced financial stability. AI-assisted financial planning tools can support individuals by providing accurate information, identifying suitable investment opportunities, and minimizing behavioral biases that often influence financial choices.



Another important outcome of personal financial planning is Financial Well-Being. Financial well-being reflects an individual's ability to meet current financial obligations, maintain financial security, manage financial risks, and achieve future financial goals. It also encompasses an individual's perception of financial satisfaction, confidence, and overall financial health. In recent years, financial well-being has become an important area of interest for researchers, policymakers, and financial institutions due to its close association with quality of life and long-term economic security.

The effectiveness of AI-assisted financial planning is also influenced by factors such as trust and financial literacy. Trust in AI-based financial advisory systems plays a crucial role in determining whether individuals are willing to rely on algorithm-generated recommendations. Users are more likely to adopt AI-driven financial tools when they perceive them as reliable, transparent, and capable of delivering accurate financial guidance. Similarly, financial literacy enables individuals to understand financial concepts, evaluate available options, and effectively utilize AI-supported financial technologies. Individuals with higher levels of financial literacy are generally better equipped to interpret and implement financial recommendations generated by AI systems.

Although AI adoption in financial services has increased significantly, the extent to which Human–AI Collaboration contributes to improved financial decision quality and financial well-being remains an emerging area of research. Existing studies have primarily focused on technology adoption, digital finance, or investment behavior, while limited attention has been given to understanding how the collaborative interaction between humans and AI influences broader financial outcomes. Therefore, there is a need to investigate the role of Human–AI Collaboration within the context of personal financial planning and examine its implications for financial decision quality and financial well-being.

In this context, the present study seeks to explore the impact of Human–AI Collaboration on personal financial planning outcomes. Specifically, the study examines the relationships among Human–AI Collaboration, Trust in AI-Based Financial Advisory Systems, Financial Literacy, Financial Decision Quality, and Financial Well-Being. By employing a structured empirical framework based on Structural Equation Modeling (SEM), the study aims to provide valuable insights into the growing role of AI in personal finance and contribute to the development of more effective and inclusive financial planning practices.



2. Literature Review

The increasing integration of Artificial Intelligence (AI) into financial services has significantly transformed the landscape of personal financial planning. AI-powered technologies such as robo-advisors, predictive analytics, machine learning algorithms, and intelligent recommendation systems have enabled individuals to make more informed financial decisions. As financial markets become increasingly complex, AI has emerged as a strategic tool for enhancing decision-making efficiency, investment planning, and wealth management.

Research on AI adoption in financial services suggests that AI technologies improve the accessibility and effectiveness of financial advice. Davenport and Ronanki (2018) highlighted that AI applications create value by automating processes, generating insights through data analysis, and enhancing customer engagement. Their study emphasized that organizations adopting AI effectively can improve decision quality and operational efficiency. Similarly, Jarrahi (2018) argued that AI should not be viewed as a replacement for human intelligence but rather as a complementary resource that augments human decision-making capabilities. This perspective forms the foundation of Human–AI Collaboration, where both human expertise and machine intelligence contribute to superior outcomes.

The concept of Human–AI Collaboration has gained increasing attention across multiple disciplines. Wilson and Daugherty (2018) proposed that the most successful organizations are those that combine human judgment with AI-driven analytical capabilities. In financial planning, this collaboration enables individuals to leverage AI-generated insights while retaining human discretion and contextual understanding. Financial decisions often involve emotional, behavioral, and situational factors that cannot be fully captured through algorithms alone. Therefore, the synergy between human intelligence and artificial intelligence is expected to improve the quality of financial decisions.

Financial Decision Quality is considered one of the most important outcomes of effective financial planning. Kahneman (2011) demonstrated that individuals frequently rely on cognitive shortcuts and behavioral biases when making decisions. AI-supported financial systems can help reduce such biases by providing objective and data-driven recommendations. Research by Xiao and Porto (2017) further indicated that informed financial decisions contribute significantly to financial satisfaction and long-term financial stability. The use of AI-assisted financial planning tools can therefore enhance decision quality by increasing information availability and analytical accuracy.



Trust remains a critical factor influencing the adoption of AI-based financial advisory services. Users are more likely to rely on AI-generated recommendations when they perceive the technology as reliable, transparent, and secure. Glikson and Woolley (2020) emphasized that trust is a fundamental determinant of successful human–AI interactions. In financial contexts, where decisions often involve substantial monetary risks, trust becomes even more significant. A lack of confidence in algorithmic recommendations may limit the adoption and effectiveness of AI-driven financial solutions.

Financial literacy also plays a crucial role in personal financial planning. Financially literate individuals are generally better equipped to evaluate financial alternatives, assess risks, and implement effective financial strategies. Lusardi and Mitchell (2014) identified financial literacy as one of the strongest predictors of sound financial behavior. Individuals with higher financial literacy levels are more likely to benefit from AI-enabled financial planning systems because they possess the necessary knowledge to interpret and evaluate AI-generated recommendations effectively.

The relationship between financial decision-making and financial well-being has received substantial attention in recent years. Financial well-being refers to an individual's ability to meet current financial obligations, maintain financial security, and achieve future financial goals. Consumer Financial Protection Bureau (CFPB, 2017) identified financial well-being as a comprehensive indicator of an individual's overall financial health. Research consistently indicates that better financial decisions contribute positively to financial well-being through improved savings behavior, investment outcomes, and financial security.

Within the Indian context, Sharma and Vyas (2021) examined personal financial planning from a cultural perspective and found that financial decisions are significantly influenced by social values, family structures, and cultural norms. Their study highlighted that effective financial planning requires consideration of both economic and behavioral factors. The findings suggest that technological innovations such as AI-based advisory systems must be aligned with users' financial attitudes and preferences to achieve optimal outcomes.

The growing role of financial technology (FinTech) has further expanded opportunities for AI-driven financial services. Sharma and Vyas (2023) investigated the role of FinTech in promoting digital financial inclusion among rural entrepreneurs. Their findings revealed that digital financial platforms improve access to financial services, enhance financial awareness, and support entrepreneurial growth. The study demonstrated that technology-driven financial solutions can significantly improve financial accessibility and decision-making among underserved populations.



More recently, Sharma and Vyas (2026) examined the effectiveness of AI-based personalized advertising on consumer buying behavior. Their findings indicated that AI-driven personalization significantly influences consumer decisions by delivering tailored recommendations and enhancing user engagement. Although focused on marketing, the study provides important insights into the broader role of AI in influencing individual decision-making processes. Similar mechanisms may operate within AI-assisted financial planning environments where personalized recommendations shape financial behavior and investment choices.

Despite substantial advancements in AI-enabled financial services, research examining the combined influence of Human–AI Collaboration, Trust in AI, Financial Literacy, Financial Decision Quality, and Financial Well-Being remains limited. Existing studies have generally focused on technology adoption, digital finance, or financial literacy independently. Relatively few studies have investigated how these constructs interact within the broader framework of personal financial planning. Therefore, the present study seeks to address this gap by developing and empirically testing a model that integrates Human–AI Collaboration, Trust in AI-Based Financial Advisory Systems, Financial Literacy, Financial Decision Quality, and Financial Well-Being.

3. Research Objectives

- To examine the impact of Human–AI Collaboration on Financial Decision Quality in personal financial planning.
- To assess the influence of Trust in AI-Based Financial Advisory Systems on Financial Decision Quality.
- To analyze the effect of Financial Literacy on Financial Decision Quality.
- To investigate the impact of Human–AI Collaboration on Financial Well-Being.
- To examine the influence of Trust in AI-Based Financial Advisory Systems on Financial Well-Being.

4. Research Hypotheses

- H1: Human–AI Collaboration has a significant positive effect on Financial Decision Quality.



- H2: Trust in AI-Based Financial Advisory Systems has a significant positive effect on Financial Decision Quality.
- H3: Financial Literacy has a significant positive effect on Financial Decision Quality.
- H4: Human–AI Collaboration has a significant positive effect on Financial Well-Being.
- H5: Trust in AI-Based Financial Advisory Systems has a significant positive effect on Financial Well-Being

5. Research Methodology

The present study adopts a quantitative research approach to examine the implications of Human–AI Collaboration on Financial Decision Quality and Financial Well-Being in the context of personal financial planning. A descriptive and explanatory research design was employed to investigate the relationships among Human–AI Collaboration, Trust in AI-Based Financial Advisory Systems, Financial Literacy, Financial Decision Quality, and Financial Well-Being. The study primarily focuses on understanding how the integration of artificial intelligence with human judgment influences personal financial planning outcomes.

The study is based on primary data collected through a structured questionnaire. The questionnaire was designed after an extensive review of relevant literature related to artificial intelligence, financial planning, financial literacy, financial decision-making, and financial well-being. The survey instrument consisted of two sections. The first section gathered demographic information such as age, gender, education, occupation, and income level, while the second section contained statements measuring the study constructs. All items were measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

The target population for the study comprised individuals who actively use digital financial services, online investment platforms, mobile banking applications, financial planning applications, or AI-enabled financial advisory tools. Since it was difficult to obtain a comprehensive sampling frame of all users of AI-assisted financial services, a combination of convenience sampling and purposive sampling techniques was employed. Respondents were selected based on their familiarity with digital financial technologies and their involvement in personal financial planning activities.



A total of 300 questionnaires were distributed through online platforms, including email, social media networks, and financial discussion groups. After screening the responses for completeness and consistency, 284 valid questionnaires were retained for final analysis, resulting in a response rate of approximately 94.67 percent. The sample size of 284 respondents was considered adequate for Structural Equation Modeling (SEM) analysis as it satisfies the recommended sample size requirements for multivariate statistical techniques.

The study examined five major constructs, namely Human–AI Collaboration, Trust in AI-Based Financial Advisory Systems, Financial Literacy, Financial Decision Quality, and Financial Well-Being. Human–AI Collaboration refers to the extent to which individuals utilize both human expertise and AI-based tools while making financial decisions. Trust in AI-Based Financial Advisory Systems measures the confidence of users in AI-generated financial recommendations. Financial Literacy assesses the respondents' perceived understanding of financial concepts and products. Financial Decision Quality reflects the effectiveness and rationality of financial decisions, whereas Financial Well-Being measures an individual's perceived financial security and satisfaction.

The collected data were coded and analyzed using Statistical Package for Social Sciences (SPSS) and Analysis of Moment Structures (AMOS). Descriptive statistics were used to summarize the demographic characteristics of respondents. Reliability analysis was performed using Cronbach's Alpha to assess the internal consistency of the measurement scales. The validity of the constructs was evaluated through Confirmatory Factor Analysis (CFA), including the assessment of factor loadings, Composite Reliability (CR), and Average Variance Extracted (AVE).

To test the proposed hypotheses and examine the relationships among the study variables, Structural Equation Modeling (SEM) was employed. SEM was selected because it enables the simultaneous examination of multiple relationships among latent variables while accounting for measurement errors. Model fit was evaluated using commonly accepted fit indices such as Chi-Square/Degrees of Freedom (CMIN/DF), Goodness-of-Fit Index (GFI), Adjusted Goodness-of-Fit Index (AGFI), Comparative Fit Index (CFI), Tucker–Lewis Index (TLI), and Root Mean Square Error of Approximation (RMSEA). The acceptance or rejection of hypotheses was determined based on standardized path coefficients and corresponding significance values.

The methodology adopted in this study provides a comprehensive framework for examining the role of Human–AI Collaboration in personal financial planning and contributes to a deeper understanding of how

AI-enabled financial advisory systems influence financial decision quality and financial well-being among individuals.

6. Data Analysis and Results

6.1 Demographic Profile of Respondents (N = 284)

Variable	Category	Frequency	Percentage
Gender	Male	172	60.6
	Female	112	39.4
Age	18–25 Years	54	19.0
	26–35 Years	118	41.5
	36–45 Years	72	25.4
	Above 45 Years	40	14.1
Education	Graduate	98	34.5
	Postgraduate	143	50.4
	Doctorate	43	15.1
Occupation	Salaried	136	47.9
	Business	82	28.9
	Professional	66	23.2

The demographic analysis indicates that the majority of respondents belonged to the 26–35 years age group and possessed postgraduate qualifications, suggesting adequate familiarity with digital financial technologies.

6.2 Reliability Analysis

Construct	No. of Items	Cronbach's Alpha
Human–AI Collaboration	5	0.884
Trust in AI	5	0.857
Financial Literacy	5	0.829
Financial Decision Quality	5	0.901
Financial Well-Being	5	0.873

All Cronbach's Alpha values exceeded 0.70, indicating satisfactory internal consistency and reliability.



6.3 KMO and Bartlett's Test

Measure	Value
KMO	0.891
Bartlett's Test Chi-Square	2814.276
df	300
Sig.	0.000

The KMO value of 0.891 indicates excellent sampling adequacy, while Bartlett's Test is significant ($p < 0.001$), confirming suitability for factor analysis.

6.4 Confirmatory Factor Analysis (CFA)

Standardized Factor Loadings

Construct	Range
HAC	0.721 – 0.891
TAI	0.705 – 0.872
FL	0.683 – 0.846
FDQ	0.742 – 0.908
FWB	0.713 – 0.881

All factor loadings exceeded the recommended threshold of 0.60.

Convergent Validity

Construct	CR	AVE
HAC	0.902	0.647
TAI	0.885	0.607
FL	0.864	0.561

FDQ	0.918	0.692
FWB	0.891	0.623

All CR values exceeded 0.70 and AVE values exceeded 0.50, confirming convergent validity.

6.5 Model Fit Indices

Index	Recommended	Obtained
CMIN/DF	< 3.0	2.147
GFI	> 0.90	0.926
AGFI	> 0.90	0.911
CFI	> 0.90	0.951
TLI	> 0.90	0.944
RMSEA	< 0.08	0.064

The structural model demonstrates a satisfactory fit with the observed data.

6.6 Structural Equation Modeling Results

Hypothesis Testing

Hypothesis	Path	Beta	S.E.	C.R.	p-value	Decision
H1	HAC → FDQ	0.428	0.071	6.028	0.000	Accepted
H2	TAI → FDQ	0.311	0.083	3.747	0.000	Accepted
H3	FL → FDQ	0.287	0.076	3.776	0.000	Accepted
H4	HAC → FWB	0.082	0.067	1.223	0.221	Rejected
H5	TAI → FWB	0.056	0.063	0.889	0.374	Rejected

7. Discussion

H1: Human–AI Collaboration → Financial Decision Quality

The results reveal a significant positive relationship between Human–AI Collaboration and Financial Decision Quality ($\beta = 0.428$, $p < 0.001$). Therefore, H1 is accepted.

The findings indicate that respondents who combine AI-based recommendations with human judgment tend to make superior financial decisions. AI provides analytical accuracy and data-driven insights, while human intelligence contributes contextual understanding and risk assessment capabilities. This combination improves decision quality and reduces the likelihood of irrational financial choices.

H2: Trust in AI → Financial Decision Quality

Trust in AI significantly influences Financial Decision Quality ($\beta = 0.311$, $p < 0.001$). Hence, H2 is accepted.

This result suggests that users who trust AI-generated recommendations are more likely to utilize AI-enabled financial tools effectively. Trust enhances the acceptance of algorithmic advice, thereby improving financial planning outcomes. The result supports the argument that trust is a critical determinant of successful AI adoption in financial services.

H3: Financial Literacy → Financial Decision Quality

Financial Literacy significantly affects Financial Decision Quality ($\beta = 0.287$, $p < 0.001$). Therefore, H3 is accepted.

Financially literate individuals are better equipped to evaluate AI-generated recommendations and integrate them into their financial planning process. The findings imply that AI tools are most effective when users possess adequate financial knowledge.

H4: Human–AI Collaboration → Financial Well-Being

The relationship between Human–AI Collaboration and Financial Well-Being is statistically insignificant ($\beta = 0.082$, $p = 0.221$). Therefore, H4 is rejected.

Although Human–AI Collaboration improves financial decision quality, it does not directly improve financial well-being. Financial well-being depends on multiple factors such as income level, savings habits, investment returns, debt burden, and economic conditions. Therefore, improved decision-making alone may not immediately translate into enhanced financial well-being.

H5: Trust in AI → Financial Well-Being

Trust in AI does not significantly influence Financial Well-Being ($\beta = 0.056$, $p = 0.374$). Hence, H5 is rejected.

This finding indicates that merely trusting AI systems is insufficient to improve an individual's financial condition. Trust may facilitate technology adoption, but financial well-being requires effective implementation of financial plans and sustained financial discipline.

Summary of Findings

Hypothesis	Result
H1	Accepted
H2	Accepted
H3	Accepted
H4	Rejected
H5	Rejected

The results demonstrate that **Human–AI Collaboration, Trust in AI, and Financial Literacy are significant determinants of Financial Decision Quality**, whereas **their direct influence on Financial Well-Being is not statistically significant**. This suggests that AI contributes primarily through improving decision-making processes rather than directly enhancing financial outcomes.

8. Policy Implications

The findings of this study provide important implications for policymakers, financial institutions, and fintech firms seeking to promote the effective use of Artificial Intelligence (AI) in personal financial planning. Since Human–AI Collaboration, Trust in AI, and Financial Literacy significantly influence



Financial Decision Quality, efforts should be directed toward enhancing consumers' ability to effectively utilize AI-enabled financial advisory tools.

Policymakers should prioritize AI-integrated financial literacy initiatives to improve individuals' understanding of digital financial services and AI-based financial recommendations. Financial institutions should adopt hybrid advisory models that combine human expertise with AI-driven analytics, ensuring that technological efficiency is complemented by human judgment and contextual understanding.

The significant role of trust in improving financial decision quality highlights the need for transparent and explainable AI systems. Regulatory authorities should develop guidelines that encourage transparency in algorithmic decision-making and ensure that consumers can understand the rationale behind AI-generated financial advice. Such measures can enhance user confidence and promote responsible adoption of AI-powered financial planning tools.

Furthermore, regulators should strengthen consumer protection frameworks to address concerns related to data privacy, cybersecurity, algorithmic bias, and accountability. Expanding access to digital financial infrastructure and affordable fintech solutions can also support broader financial inclusion, particularly among underserved populations.

Overall, the study suggests that AI should be viewed as a complementary tool rather than a substitute for human expertise. A balanced approach that combines technological innovation, financial literacy, ethical AI governance, and consumer protection can contribute to improved financial decision-making and a more inclusive financial ecosystem.

9. Conclusion

This study investigated the influence of Human–AI Collaboration, Trust in AI-Based Financial Advisory Systems, and Financial Literacy on Financial Decision Quality and Financial Well-Being in the context of personal financial planning. The empirical findings revealed that Human–AI Collaboration significantly improves Financial Decision Quality, indicating that the integration of human judgment and AI-generated insights enables individuals to make more informed and rational financial decisions. The study also found that Trust in AI-Based Financial Advisory Systems positively influences Financial Decision Quality, suggesting that individuals are more likely to benefit from AI-assisted financial planning when they have confidence in the reliability and accuracy of AI-generated recommendations.



Furthermore, Financial Literacy emerged as a significant determinant of Financial Decision Quality, highlighting the importance of financial knowledge in interpreting and utilizing AI-supported financial information effectively. However, the study found no significant direct relationship between Human–AI Collaboration and Financial Well-Being, nor between Trust in AI and Financial Well-Being. These findings suggest that while AI-enabled financial planning enhances the quality of financial decisions, improvements in financial well-being may require additional behavioural and economic factors beyond technology adoption alone.

Overall, the study concludes that Human–AI Collaboration, Trust in AI, and Financial Literacy are critical drivers of superior financial decision-making, whereas their direct impact on financial well-being remains limited.

10. Recommendations

Based on the findings of the study, the following recommendations are proposed:

1. Since Human–AI Collaboration significantly improves Financial Decision Quality, financial institutions should encourage the combined use of AI-based advisory tools and human financial expertise rather than relying exclusively on automated systems.
2. As Trust in AI was found to significantly influence Financial Decision Quality, fintech companies should focus on improving the transparency, reliability, and explainability of AI-generated financial recommendations.
3. Given the significant role of Financial Literacy in enhancing Financial Decision Quality, financial education initiatives should be strengthened to help individuals better understand and utilize AI-assisted financial planning tools.
4. Since Human–AI Collaboration and Trust in AI did not directly improve Financial Well-Being, financial service providers should complement AI-driven advisory services with programs promoting savings discipline, investment planning, and long-term financial goal setting.
5. Organizations developing AI-based financial planning platforms should focus on improving decision-support capabilities, as the primary benefit of AI appears to lie in enhancing financial decision quality rather than directly influencing financial well-being.



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