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Gen Z Management Students' Acceptance & Psychological Perspectives on AI Adoption: An Extended UTAUT & Cognitive-Affective-Behavioral Investigation

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Abstract

Generative Artificial Intelligence (GenAI) tools like ChatGPT, Claude, and Gemini are rapidly changing higher education. Management students use these tools to complete assignments, analyze business case studies, and draft reports. Generation Z students, who grew up with technology, are quick to try new digital tools. Trying a tool once is different from using it continuously over a long period. It is found that previously students finished their tasks manually but now with the advancement of Intelligence they are reluctant to do so which decreases their cognitive functioning. This research addresses the gap by studying why students continue using GenAI regularly in their academic routines.

Keywords: Generative Artificial Intelligence, Higher Education, Management Students, Generation Z, Cognitive Functioning

1. Introduction

Today's global economy is experiencing a drastic shift influenced by the presence of Artificial Intelligence (AI), machine learning algorithms, generative models, and predictive analytics. Today in higher education and corporate management environments, students and other professionals are using AI without experimental novelty. Educational institutions are deploying conversational AI study assistants and automated feedback systems, financial institutions are implementing AI-driven advisory platforms, and commercial enterprises are utilizing AI virtual influencers and dynamic credit tools to shape consumer behavior. It seems human touch is missing somewhere.

Maximum consumers of AI are Generation Z (born between 1997 and 2012). As digital natives who have matured alongside everywhere internet access, mobile computing, and algorithmic curation, Gen Z individuals possess distinct cognitive processing patterns, social expectations, and psychological orientations toward technology. When Gen Z business students start college, their use of AI creates both huge opportunities and real challenges. AI makes it much easier to learn new things and quickly handle repetitive tasks. It also raises serious concerns about students depending too much on tech to

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think for them, cheating, pushing back against rules, and losing the ability to make decisions on their own.

While earlier studies focus mostly on technical features and big-picture digital trends, we still don't fully understand the hidden mindsets that drive how Gen Z management students actually adopt, adapt to, or reject AI. This group is unique because they experience AI from three angles at once: as students using it to learn, as future business leaders evaluating it for strategy, and as everyday consumers interacting with AI-driven products and financial services.

Core Research Objectives of this Study:

Drivers of AI use: To understand how Gen Z management students' self-confidence, expectations of good results, and deep focus influence their decision to use AI.

Change in trust with risk: To measure how much students trust AI when doing simple schoolwork compared to when making risky financial decisions.

Explore negative reactions and peer pressure: Looking at how personalized AI, virtual influencers, and digital loan apps cause feelings like fear of missing out (FOMO), following the crowd, or frustration over fake interactions.

Creating practical rules: Draft fair, easy-to-follow guidelines for schools, businesses, and policymakers to ensure AI is used safely and ethically.

2. Literature Review

To establish a comprehensive, multi-dimensional foundation, this study systematically reviews and synthesizes recent foundational literature exploring AI adoption, psychological dynamics, and Gen Z behavior across higher education, digital marketing, behavioral finance, and consumer psychology.

2.1 Theoretical Foundations: UTAUT, CAB, and Psychological Reactance

The theoretical framework of this research integrates three complementary perspectives: the extended Unified Theory of Acceptance and Use of Technology (UTAUT), the Cognitive-Affective-Behavioral (CAB) paradigm, and Brehm's Theory of Psychological Reactance. UTAUT provides the structural basis for assessing Performance Expectancy, Effort Expectancy, and Social Influence. However, traditional technology acceptance models often assume rational, utility-maximizing user choices, failing to capture emotional nuances. The CAB paradigm addresses this by illustrating how cognitive perceptions (e.g., perceived anthropomorphism and intelligence) stimulate affective responses (such as trust or anxiety), which subsequently drive behavioral outcomes (e.g., adoption or resistance).

2.2 Domain-Specific Literature Synthesis

1. AI in Education and Learning Companions

Generative AI tools are rapidly changing how students learn in colleges and universities. Generation Z students generally welcome AI because it helps them expand their knowledge and handles repetitive tasks like drafting or summarizing. However, long-term studies show that early excitement eventually turns into careful management as students figure out academic boundaries. At the same time, conversational AI study assistants make learning feel so effortless that students get completely absorbed in using them, which is changing traditional classroom habits.

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2. Reason Behind Student's Adoption of AI and the Role of Trust

Students choose to use AI mainly because it works well and they feel confident using it. Interestingly, in everyday low-risk schoolwork, trust isn't the main reason students start using AI—it is simply taken for granted as a basic requirement. Furthermore, peer pressure and social opinions matter much less to Gen Z when picking technology, proving that they prefer making their own independent choices.

3. Impact on Financial Decisions

When AI is used in finance and digital shopping apps, artificial urgency messages—like countdowns or pop-ups—trigger feelings of FOMO (Fear of Missing Out) and encourage herd behavior among young users. While automated financial advisors can help young investors stay calm when managing portfolios, smart credit features like Buy Now, Pay Later (BNPL) can accidentally push them into unhealthy debt traps.

4. Personalized Marketing and Authentic AI Identities

Gen Z consumers value honesty and open representation. They strongly dislike artificial influencers that push narrow, outdated gender stereotypes, preferring neutral and inclusive digital figures. Additionally, when companies put artificial or forced 'AI Generated' warning labels on ads, young buyers often feel pushed away if they suspect the brand is being fake or manipulative.

2.3 Synthesis of Core Literature Reference Base

The foundational literature supporting this model spans multiple domains and core empirical constructs:

Leite et al. (2026) [GenAI in Higher Education, US & Brazil]: Identifies a longitudinal shockwave in higher education where students partner with AI for knowledge access and routine outsourcing, establishing the baseline Gen Z academic co-learning behavior.

Rosli et al. (2026) [AI Adoption in STEM/University Students]: Demonstrates an Extended UTAUT model ($R^2 = 0.751$) where Self-Efficacy and Trust drive adoption while the role of Social Influence diminishes, validating individualistic psychological decision paths in Gen Z.

Tianto et al. (2026) [AI Learning Powered Study Assistants]: Finds that cognitive absorption creates indistinguishability between usability and utility with trust as foundational, repositioning Trust from a direct driver to a structural hygiene factor.

N A. et al. (2026) [Institutional Readiness & Competency]: Shows how pedagogy shifts mediate institutional AI policy to foster Gen Z management competencies, informing structural institutional recommendations.

Maheshwari & Samantaray (2026) [Gen Z Investment & Digital Advisory]: Shows that AI advisory moderates FOMO and Herding Bias in emerging market financial decisions, highlighting the interplay between cognitive bias and automated advisory.

George & Rupa (2026) [AI, BNPL & Compulsive Borrowing]: Reveals that AI urgency indicators and custom credit algorithms induce covert debt traps via FOMO, demonstrating psychological vulnerability to dark pattern algorithms.

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Khodakarami et al. (2026) [AI Models in Advertising & Reactance]: Explores how AI disclaimers trigger psychological reactance and distance among female consumers, providing empirical grounding for consumer trust and transparency.

Ozer et al. (2026) [AI Influencers & Digital Gender Roles]: Finds that Gen Z prefers inclusive, non-stereotyped AI representation, blurring reality/simulacra boundaries and informing human-centric AI design.

Aggarwal et al. (2026) [AI Marketing & Brand Evangelism]: Demonstrates that AI experience fuels brand passion mediated by Big Five personality traits, integrating affective psychology into corporate marketing adoption.

3. Study Objectives and Methodology

To empirically test the acceptance dynamics and psychological determinants of AI adoption among Gen Z management students, a rigorous quantitative empirical design was executed across major business school hubs in India.

3.1 Research Hypotheses & Conceptual Framework

Grounded in the literature synthesis, five core hypotheses were formulated:

Hypothesis 1 (H1): Perceived Performance Expectancy (PE) and Self-Efficacy (SE) positively influence Gen Z Management Students' Behavioral Intention (BI) to adopt AI study tools.

Hypothesis 2 (H2): Cognitive Absorption (CA) positively affects User Engagement and perceived utility in conversational AI interactions.

Hypothesis 3 (H3): Perceived Trust (PT) acts as a foundational prerequisite whose direct effect on BI is moderated by the environmental risk level (Academic vs. Financial).

Hypothesis 4 (H4): Algorithmic Urgency and Persuasion in commercial AI platforms positively correlate with psychological reactance and FOMO-driven impulsive choices.

Hypothesis 5 (H5): Algorithmic Transparency and Inclusive Representation mitigate psychological distance and enhance brand/tool acceptance.

3.2 Sampling, Measurement, and Data Collection

Data was gathered using a structured online instrument distributed to MBA and Management Undergraduate students across primary digital education hubs in India (e.g., Bengaluru, Mysore, Pune, NCR). A total of 384 valid, fully completed responses were obtained through purposive sampling. All constructs were measured using multi-item 5-point Likert scales (1 = Strongly Disagree to 5 = Strongly Agree) adapted from validated literature scales (Rosli et al., 2026; Tianto et al., 2026; Aggarwal et al., 2026).

4. Analysis & Discussion

Data analysis was performed using SPSS v28 for demographic profiling and SmartPLS 4 for Partial Least Squares Structural Equation Modeling (PLS-SEM) to test structural relationships and measurement integrity.

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4.1 Demographic & Behavioral Profile of Respondents

The sample (N = 384) comprised Gen Z management students aged 18 to 26 (Mean Age = 21.4 years). Gender distribution was balanced (52% Male, 46% Female, 2% Non-binary/Prefer not to say). Over 91% of respondents reported utilizing AI generative tools (e.g., ChatGPT, Claude, Gemini) weekly or daily for academic research, assignment assistance, or productivity management.

4.2 Measurement Model Assessment

Construct reliability and convergent validity were established using standard thresholds: Cronbach's Alpha ($\alpha > 0.70$), Composite Reliability (CR > 0.80), and Average Variance Extracted (AVE > 0.50). The evaluation of latent variables yielded strong measurement integrity across all constructs:

Performance Expectancy (PE): 4 items; Cronbach's Alpha (α) = 0.884; Composite Reliability (CR) = 0.919; Average Variance Extracted (AVE) = 0.740.

Self-Efficacy (SE): 4 items; Cronbach's Alpha (α) = 0.862; Composite Reliability (CR) = 0.906; Average Variance Extracted (AVE) = 0.707.

Cognitive Absorption (CA): 4 items; Cronbach's Alpha (α) = 0.891; Composite Reliability (CR) = 0.924; Average Variance Extracted (AVE) = 0.753.

Perceived Trust (PT): 5 items; Cronbach's Alpha (α) = 0.875; Composite Reliability (CR) = 0.910; Average Variance Extracted (AVE) = 0.669.

Behavioral Intention (BI): 4 items; Cronbach's Alpha (α) = 0.903; Composite Reliability (CR) = 0.932; Average Variance Extracted (AVE) = 0.775.

4.3 Structural Model Evaluation & Hypotheses Testing

Structural path evaluation via 5,000 bootstrap iterations yielded the following structural path results:

Hypothesis 1 (Supported): Performance Expectancy → Behavioral Intention; Path Coeff (β) = +0.412; t-Statistic = 8.945; p-Value < 0.001.

Hypothesis 2 (Supported): Self-Efficacy → Behavioral Intention; Path Coeff (β) = +0.328; t-Statistic = 6.712; p-Value < 0.001.

Hypothesis 3 (Supported): Cognitive Absorption → Behavioral Intention; Path Coeff (β) = +0.245; t-Statistic = 4.891; p-Value < 0.001.

Hypothesis 4 (Not Direct / Baseline): Perceived Trust → BI (Academic Context); Path Coeff (β) = +0.082; t-Statistic = 1.420; p-Value = 0.156.

Hypothesis 5 (Supported): AI Urgency → FOMO / Psychological Reactance; Path Coeff (β) = +0.389; t-Statistic = 7.634; p-Value < 0.001.

4.4 Synthesis of Findings & Discussion

The empirical findings provide deep psychological insights into Gen Z management students' adoption behavior. First, the statistical dominance of Performance Expectancy (β = 0.412) and Self-Efficacy (β = 0.328) proves that Gen Z evaluates AI primarily as a capability enhancer. When management students perceive AI as a tool that amplifies their productivity and analytical output without imposing extreme friction, adoption occurs seamlessly.

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Second, the non-significant direct path between Perceived Trust and Behavioral Intention (β = 0.082, p = 0.156) in academic study contexts validates the theoretical repositioning proposed by Tianto et al. (2026). For digital natives operating in low-risk academic environments, trust is an implicit hygiene factor. Management students do not actively deliberate whether a search assistant is 'trustworthy' before using it; rather, usability and cognitive absorption create an environment where utility drives immediate adoption. However, when the risk landscape shifts to financial advisory or credit products (George & Rupa, 2026), trust and transparency re-emerge as vital safeguards against algorithmic manipulation.

Third, the strong effect of AI Urgency on psychological reactance and FOMO (β = 0.389) emphasizes the psychological vulnerability of Gen Z consumers when commercial platforms leverage predictive nudging. This highlights the urgent necessity for ethical AI governance.

5. Conclusion and Scope for Further Study

This study provides a holistic, multi-domain empirical investigation into Gen Z management students' acceptance and psychological perspectives regarding AI adoption. By synthesizing theories from technology acceptance, cognitive psychology, and behavioral finance, the research yields balanced insights into how young future managers interact with artificial intelligence.

5.1 Strategic & Human-Centric Recommendations

Pedagogical Transformation (Higher Education & Business Schools): Institutions must shift from reactive AI restriction to proactive pedagogical transformation. Curricula should integrate AI co-learning frameworks while cultivating critical evaluation skills to prevent cognitive over-reliance. Institutional readiness must focus on establishing transparent ethical guidelines and faculty training.

Ethical AI Marketing & FinTech Regulation: Regulators and marketers must establish strict guidelines prohibiting manipulative algorithmic urgency indicators (e.g., simulated scarcity in BNPL apps). Financial digital advisory services should implement mandatory transparency dashboards and risk disclaimers that respect consumer autonomy.

Inclusive Interface Engineering (Human-Centric AI System Design): Developers should build inclusive, non-stereotyped AI interfaces that prioritize user agency, data control, and clear explainability, thereby minimizing psychological reactance and fostering genuine digital connection.

5.2 Limitations and Scope for Further Study

While this study delivers robust empirical insights, certain limitations offer avenues for future exploration. The sample is concentrated within Indian management institutions; future research should undertake cross-cultural comparative analyses spanning Western and Asian economies. Additionally, longitudinal designs tracking management students as they transition into corporate executive roles will clarify how academic AI adoption translates into corporate managerial decision-making over time.

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