



A Comparative Study Of SMS, Whatsapp And Push Notifications For Engaging Gen Z In Digital Lending Space.

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ABSTRACT

The rise of FinTech in India has transformed the way young consumers interact with financial products and services. Among the key challenges facing digital lending platforms is the ability to effectively engage users, particularly Gen Z, through timely, personalized, and relevant communication. Gen Z, defined as individuals born between 1997 and 2012, represents a tech-savvy, mobile-first generation that exhibits distinct preferences in communication, consumption, and financial behaviour. As non-banking financial companies (NBFCs) and digital lenders rely heavily on digital communication channels such as SMS, WhatsApp, and push notifications to connect with users, it becomes critical to evaluate the efficacy of each channel in influencing user behaviour, particularly during decision-making phases in the borrowing funnel.

This study investigates the comparative effectiveness of SMS, WhatsApp, and push notifications as communication tools to engage Gen Z users in the context of digital lending. Through a structured questionnaire circulated among college-going Gen Z students, the research examines user receptiveness to various message formats, preferred communication platforms, frequency of engagement, and trust factors that drive or hinder borrowing decisions. In parallel, the paper analyzes existing literature on communication psychology, FinTech marketing strategies, and digital channel responsiveness to contextualize the findings within broader industry trends.

The outcomes of this study contribute to a deeper understanding of the Gen Z audience, offering a roadmap for customer-centric communication strategies in the financial services ecosystem. The paper concludes that while SMS remains widely used, WhatsApp, with its interactive and media-rich capabilities, demonstrates higher engagement potential among Gen Z. However, effectiveness also depends on context, trust, personalization, and timing. Push notifications, though limited by app installs, serve as an effective reinforcement channel when used strategically. The findings emphasize the need for a balanced, multi-channel approach that adapts to evolving digital habits.

Keywords: Gen Z communication preferences; digital lending engagement; SMS, WhatsApp, push notifications; fintech marketing strategies.

INTRODUCTION

This work was based on my summer internship project that aimed at analyzing fintech communication strategies to reduce mid-funnel drop-offs, particularly SMS marketing. While effective, the experience brought to light the increasing relevance of other digital channels, especially WhatsApp and Push Notifications, in engaging Gen Z consumers. Thus, this research has been built upon such findings and hence compares the effectiveness of SMS, WhatsApp, and Push Notifications for building the awareness, trust, and behaviour of Gen Z users in the digital lending ecosystem. It aims to provide comprehensive insight into the performance of fintech communication and actionable insights for creating user-centred engagement strategies.

Therefore, as Generation Z becomes the dominant force in the digital economy, it becomes important for fintech firms to relook at their way of communication. Traditional modes of marketing often fail to capture this technology-savvy generation, who believe in the mantra of convenience, authenticity, and real-time feedback. Digital lending further adds to the complexity because it is a use case wherein trust forms the bedrock of all communication, leading to user action and conversion. This paper thus explores which channel-SMS, WhatsApp, or Push Notification-is most effective for Gen Z and how trust, personalization, and interactivity drive responsiveness in a financial context.

Fintech has redefined the way people save, borrow, and transact, creating a global ecosystem driven by transparency and technology. The growth of fintech lenders and NBFCs in India has reshaped the way credit is applied for, disbursed, and accessed, making it accessible, paperless, and data-driven. From a valuation of \$270 billion in 2022 to crossing over \$1.3 trillion by 2030, this sector's rapid growth is extremely reliant on effective communication across the loan journey from onboarding to repayment reminders.

Earlier dominated by SMS, fintech communication now includes app-based push alerts and WhatsApp messages. However, SMS is still crucial for transactional reliability and high delivery rates. It serves best for urgent updates, OTPs, and alerts. WhatsApp, launched in 2009 and today the largest messaging platform in India, enables richer, interactive, and secure business communication through multimedia content and verified accounts, thus making it a very strong tool in the middle of the funnel for processes such as KYC and eNACH. Push Notifications were introduced in the late 2000s, providing instant, behaviour-triggered engagement within apps but requiring careful use to avoid notification fatigue. Together, these channels form an integrated framework for user retention and trust-building.

Generational cohorts are conceptualized as groups bound together by shared social and technological contexts. Gen Z, born between 1997 and 2012, truly makes up the first digital native generation, comprising over 40% of India's population. As they grew up with smartphones and social media, they value speed, personalization, and authenticity. Platforms they prefer are intuitive, visual, and two-way in nature-no calls or emails, please. In fintech, their growing appetite for microloans, BNPL, and instant credit reflects a belief in the seamlessness of app-based experiences. Understanding the digital habits of Gen Z is key for fintech marketers. Be it through personalized SMS, conversational WhatsApp messages, or contextual push notifications, success comes via clarity, relevance, and respect for user attention, making communication channels an enabler of trust rather than an interruption.

RESEARCH OBJECTIVES

- 1) To examine the communication preferences of Gen Z in the context of digital lending.
- 2) To evaluate the perceived effectiveness of SMS, WhatsApp, and Push Notifications in influencing user action.
- 3) To understand the role of trust, personalization, and media format in responsiveness to Fintech marketing.
- 4) To determine which communication channel holds the highest potential for sustained engagement in the digital lending journey.

LITERATURE REVIEW

The evolution of India's fintech landscape is in accordance with the digital transformation of its communication ecosystem. Fintech companies are reassessing how to reach and retain users through omnichannel, personalized communication as smartphone penetration rises. More than 40% of Indians are members of Generation Z, a tech-native generation whose demands for speed, interaction, and genuineness put conventional marketing strategies to the test (Singh, Nagar & Singh, 2025). The increasing convergence

of digital behaviour and financial decision-making is demonstrated by their readiness to embrace new financial tools and their dependence on BNPL schemes and mobile wallets (Shaikh, 2024; Acharya, 2024).

Researchers have emphasized that Gen Z's engagement with fintech brands depends on trust, transparency, and user experience rather than conventional persuasion (Ramesh et al., 2022). Studies highlight that in order to maintain credibility, fintech platforms need to strike a balance between automation and empathy, especially in instant-loan ecosystems where users have high privacy and perceived fairness concerns.

As a result, one of the primary factors influencing fintech success is the efficacy of communication channels. Danaher and Rossiter (2004) discovered that the credibility of the sender and the context of the recipient both affect how effective a marketing message is. Their comparative framework explains why message recall and response are directly impacted by channel choice. Later, Cho and Hung (2005) showed that, despite its limitations in terms of brevity and lack of interaction, SMS is still a useful and private medium for transactional communication.

In the more recent work this expands to digital-native platforms, Amman and Mohamed (2024) investigated WhatsApp Business as a new marketing tactic, demonstrating how verified business accounts and end-to-end encryption boost consumer trust, especially in financial communications. WhatsApp's conversational format bridges the gap between service and support by enabling brands to provide personalized documents, multimedia, and responses. In addition, Reddy (2023) measured how push notifications significantly increase conversion and retention among users of fintech apps when they are optimized through behavioural timing and A/B testing. These results imply that, when used sparingly to prevent fatigue, mobile-native formats perform better than SMS in terms of immediacy and engagement.

Salam, K.N., et al. (2023) states that Gen Z is more responsive to content that seems real, quick, and interactive. Their research on Gen Z marketing tactics highlights the importance of multi-format communication that incorporates text, images, and a conversational tone. Similarly, channel-specific personalization, particularly through WhatsApp and push alerts drives stronger user sentiment and engagement than mass SMS campaigns, according to Oh et al.'s (2023) analysis of fintech companies' social media strategies.

While SMS remains a fallback for regulatory alerts, push notifications and WhatsApp are preferred for guidance and reassurance. This hierarchy is consolidated in the comparative analysis by mTalkz (2023), which demonstrates that fintech businesses use WhatsApp's interactive messaging to increase open and click-through rates more than they do bulk SMS campaigns. All of these studies point to the same conclusion: behaviour-driven and channel-specific communication is key to successful fintech. WhatsApp fosters trust and conversational engagement, push notifications provide immediacy, and SMS guarantees dependability.

In conclusion, research continuously connects Gen Z's fintech use to context-aware, tailored communication. The combined findings of academic and commercial research show that while SMS is still useful for safe, transactional updates, WhatsApp and push notifications perform better at promoting responsiveness. The future of digital lenders aiming to reach Gen Z borrowers in India is in using multi-channel strategies that combine technology, timing, and trust in order to lower funnel drop-offs and foster enduring loyalty.

RESEARCH METHODOLOGY

This study adopts a quantitative and descriptive-comparative research design to examine how different communication channels: SMS, WhatsApp, and Push Notifications, affect engagement levels among Generation Z users in the digital lending ecosystem. Survey was conducted with a total of 101 respondents. The design aims to compare perceived effectiveness, trust, and responsiveness across channels to identify which medium most strongly influences user interaction and progression in lending funnels.

DATA ANALYSIS

A structured questionnaire was administered using Google Forms to collect primary data from respondents. The responses were analyzed statistically using descriptive and inferential tools to validate the study's hypothesis.

i. Hypothesis:

- Null Hypothesis (H_0): This is the baseline assumption that there is no significant variation in Gen Z's responsiveness or perceived effectiveness across SMS, WhatsApp, and Push Notifications. In simpler terms, it assumes that Gen Z equally prefers all three channels for engagement with digital lending offers.
- Alternate Hypothesis (H_1): This is the opposing view, suggesting that there is a significant variation in Gen Z's responsiveness and perceived effectiveness among these communication channels. This means Gen Z does not equally prefer all three channels.

ii. Variables:

- Independent Variable: The communication channel (SMS, WhatsApp, Push Notifications). These are the categories whose influence on engagement we are trying to assess.
- Dependent Variable: The "preference" or "responsiveness" of Gen Z to these channels. This was measured using responses from the question: "If a lending platform gave you the option to choose how they follow up with you, which would you prefer?"
- Categories of the Dependent Variable:

SMS: Respondents who chose SMS as their preferred follow-up.

WhatsApp: Respondents who chose WhatsApp as their preferred follow-up.

Push Notifications: Respondents who chose "In-app only" as their preferred follow-up, which was interpreted as a proxy for Push Notifications.

iii. Observed Frequencies:

Table 1: GenZ Preferred Communication channel

Channel	Observed Frequency
SMS	13
WhatsApp	26
Push Notifications	29

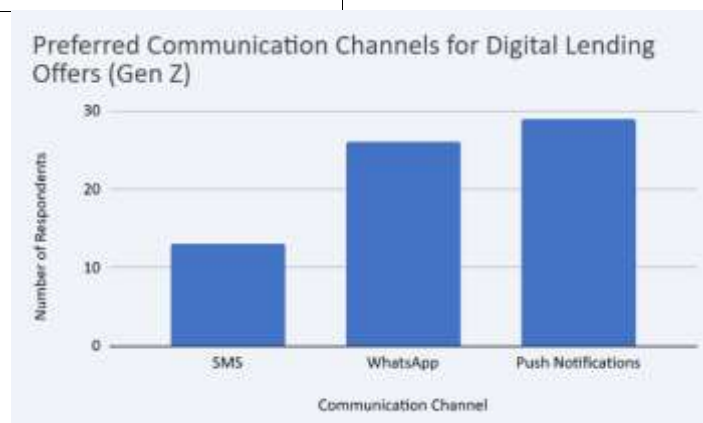


Figure 1: Preferred Communication Channel GenZ

iv. Expected Frequencies:

These are the frequencies we would expect for each channel if the Null Hypothesis were true (i.e., if there was no significant variation and all channels were equally preferred).

- **Total Observations:** Sum of all observed frequencies = 13 (SMS) + 26 (WhatsApp) + 29 (Push Notifications) = 68.
- **Number of Categories:** There are 3 distinct communication channels (SMS, WhatsApp, Push Notifications).
- **Expected Frequency per Channel:** Total Observations / Number of Categories = $68 / 3 \approx 22.67$.

Table 2: Expected Frequency

Channel	Expected Frequency
SMS	22.67
WhatsApp	22.67
Push Notifications	22.67

v. Chi-Square Test Results

- Chi-square Statistic (χ^2): 6.38
- Degrees of Freedom: 2
- P-value: 0.041
- Significance Level (α): 0.05

Since the p-value (0.041) is less than the significance level (0.05), we **reject the null hypothesis (H_0)**.

This indicates that there is statistically significant evidence to conclude that there is a variation in Gen Z's responsiveness and perceived effectiveness of communication channels (SMS, WhatsApp, Push Notifications) to drive their engagement with digital lending offers.

Specifically, the data suggests that Push Notifications and WhatsApp are preferred significantly more than SMS as follow-up channels.

FINDINGS

In the context of digital loan follow-ups, this study looked at Gen Z's preferred communication channels. The results provide useful information about this demographic's general engagement behaviour, responsiveness, and channel effectiveness.

Dominant Communication Channels and Engagement Patterns

The data shows that Mumbai's Gen Z engages with communication channels in a very different way. With 29 and 26 choices, respectively, Push Notifications and WhatsApp were the most popular follow-up methods; SMS trailed far behind with just 13 responses. This pattern is consistent with Gen Z's inclination toward instantaneous, mobile-native, and minimally invasive communication methods.

Statistically Significant Channel Preference

The hypothesis test produced a p-value of 0.041 and a Chi-square value of 6.38, both of which were below the significance level of 0.05. This offers compelling statistical proof that Gen Z does not treat every channel equally.

This demonstrates that, in comparison to SMS, Push Notifications and WhatsApp are more effective communication channels for digital lenders aiming to reach Gen Z. SMS's apparent antiquity, lack of interaction, and increased risk of being ignored are all factors contributing to its declining effectiveness.

Real-Time, App-Integrated Communication Drives Effectiveness

The most popular channel turned out to be PNs acting as an in-app proxy. This illustrates Gen Z's strong preference for real-time, platform-embedded updates that fit their app-centric usage habits.

The second-most popular choice was WhatsApp, which is renowned for its conversational interface and high message visibility, highlighting the significance of individualized, two-way communication in borrower engagement.

SMS Is Seen as Less Useful and Relevant

SMS appears to lack the immediacy, richness, and personalization that Generation Z demands, as seen by its far lower preference. Because of this, SMS might not be a viable choice for digital lenders looking to increase follow-up success. In order to effectively grab Gen Z's attention and enhance cross-channel engagement, a deliberate change toward app-based alerts and WhatsApp-driven communication flows is supported by the evident preference hierarchy.

CONCLUSION

In the context of digital lending follow-ups, this study effectively assessed Gen Z's preferred communication channels. The study found notable variations in responsiveness between SMS, WhatsApp, and Push Notifications using a Chi-square goodness-of-fit test. The findings showed a considerable departure from equal channel preference, with WhatsApp and Push Notifications emerging as the most popular and successful channels, while SMS performed noticeably worse. This demonstrates that Gen Z prefers instantaneous, integrated, interactive communication that fits with their digital habits.

From a strategic perspective, digital lenders that want to increase Gen Z engagement and conversion should give priority to WhatsApp-based conversational processes and in-app communication ecosystems while progressively lowering their dependency on SMS. By doing this, Gen Z's demands for speed, relevance, and seamless mobile connectivity will be better met.

Future studies might look at behavioural metrics like open/load rates, increase the sample size, and investigate the qualitative causes of channel perceptions. All things considered, the results offer a data-driven basis for lenders looking to improve their client engagement tactics for the upcoming borrower generation.

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