

The Role of Robo-Advisors in Enhancing Financial Literacy Among Young Indian Investors

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Abstract – The swift expansion of financial technology has changed how people engage with and manage financial services, with robo-advisors standing out as a significant innovation within digital investment systems. This research investigates how robo-advisors can improve financial literacy for younger investors in India. The main aim is to evaluate the degree of financial knowledge, the adoption of robo-advisory platforms, and their influence on investing habits and decision-making processes. The research is founded on primary data gathered from 100 participants through a structured survey, supplemented by secondary data from related studies. To analyze the data, statistical methods including percentage analysis, correlation, ANOVA, and regression were employed. The results suggest that although financial knowledge among young investors is average, the utilization of robo-advisors plays a crucial role in enhancing financial understanding, planning behaviors, and decisive capability. The findings also demonstrate a positive link between using robo-advisors and financial literacy, alongside observable behavioral improvements such as boosted confidence and diminished emotional biases in investment choices. In conclusion, robo-advisors are not just tools for investment; they also act as effective resources for financial education. Nonetheless, elements like trust, awareness, and user participation continue to affect their uptake. These insights offer valuable implications for policymakers, financial institutions, and fintech companies in fostering digital financial education among young investors.

Keywords – Robo-advisors, Financial literacy, Young Indian investors, Digital investment platforms, Fintech in India, Investment awareness

I. INTRODUCTION

The swift evolution of Financial Technology (FinTech) has notably changed the financial service environment, especially in developing countries like India. With the rise of smartphone usage, economical internet accessibility, and initiatives such as Digital India, people are increasingly able to tap into digital financial platforms. Among these advancements, robo-advisors have surfaced as automated systems that deliver investment guidance, manage portfolios, and assist with financial planning with little human interaction. Their affordability, ease of access, and straightforward interfaces make them particularly appealing to young, digitally savvy investors.

Despite these developments, many young Indian investors still exhibit a low level of financial literacy. A significant number do not have a firm grasp of essential financial principles, such as risk management, investment strategies, and portfolio oversight. Consequently, their financial choices are frequently swayed by social media trends, peer influences, and insufficient information rather than logical evaluation. This highlights the necessity for effective tools that can streamline the investment process while simultaneously bolstering financial comprehension and decision-making skills.

In this regard, robo-advisors could fulfill a dual function as both tools for managing investments and resources for education. With features that include risk assessment, goal-oriented planning, and monitoring of real-time performance, these platforms offer users practical insights into financial principles, encouraged by experiential learning. This study aims to explore the role of robo-advisors in fostering financial literacy among young Indian investors, concentrating on their effects on investing

behaviors, decision-making, and overall financial awareness.

Objectives of the Study

- To analyze the financial literacy levels in young Indian investors.
- To assess the awareness and frequency of robo-advisory platform use among young investors.
- To investigate how robo-advisors contribute to improving financial literacy.

II. STATEMENT OF THE PROBLEM

India has experienced swift advancement in digital financial services, allowing young investors to easily access a range of investment options. Nonetheless, the level of financial literacy among young people remains notably low, with many lacking a comprehensive grasp of essential financial ideas like risk management, portfolio organization, and planning for the future. Consequently, investment choices are frequently swayed by social media influences, peer expectations, and incomplete information instead of logical assessment.

Robo-advisors have become automated services that provide algorithm-driven financial guidance, seeking to streamline investment methods and offer tailored assistance. Although these platforms are becoming more popular, there is uncertainty regarding whether they truly boost financial literacy or simply serve as easy-to-use investment tools. Moreover, elements such as trust, awareness, and comfort with technology might affect how effectively they function.

Thus, the challenge lies in determining if robo-advisors make a significant difference in enhancing financial literacy and investment practices among young investors in India, or if their role is restricted to offering simplified financial services.

Scope of the Study

This study concentrates on exploring the influence of robo-advisors on improving financial literacy for young investors in India. It specifically targets people between the ages of 18 and 35, including students, early-career workers, and novice investors who are engaging with digital financial services.

The research includes vital areas like the degree of financial awareness, comprehension of fundamental financial principles, and utilization of robo-advisory platforms. It also investigates how features such as automated suggestions, risk evaluation tools, goal-directed planning, and monitoring of performance enhance financial understanding and decision-making regarding investments. Additionally, the study assesses how robo-advisors affect investment practices, such as diversifying portfolios, planning finances, and confidence in financial management. It is restricted to participants located in India and mainly relies on primary data gathered through a structured questionnaire.

The focus is specifically on digital financial advisory services and excludes traditional advisory methods. In general, the study aims to explore the connection between the use of robo-advisors and financial literacy while identifying their effectiveness and practical consequences for young investors.

III. RESEARCH METHODOLOGY

This research employs a descriptive and analytical approach to investigate the role of robo-advisors in bolstering financial literacy among the young investors in India.

Primary data was gathered using a structured questionnaire that was distributed through online platforms. The questionnaire featured sections regarding demographic information, financial awareness, use of robo-advisors, and investment habits. Responses were collected using a Likert scale and closed-ended questions for consistency and ease of analysis.

A convenience sampling method was utilized to choose participants, concentrating on those aged 18 to 35 who are current or prospective users of the digital financial services. The sample size includes 100 respondents, deemed suitable for meaningful statistical evaluation in the context of this study.

Both primary and secondary data were incorporated. Secondary data was obtained from academic journals, reports, and published research to underpin the theoretical framework.

Data analysis was conducted using statistical techniques such as:

- Percentage analysis
- Correlation analysis
- ANOVA
- Regression analysis

These tools were used to identify relationships between robo-advisor usage and financial literacy, as well as to evaluate their impact on investment behavior and decision-making.

IV. REVIEW OF LITERATURE

Paolo Sironi (2016) analysed the role of robo-advisors in goal-based investing. The objective of the study was to understand how robo-advisors influence long-term financial planning. The major research question focused on their effectiveness in aligning investment strategies with individual goals. The tools used include conceptual analysis and case study approach. The findings indicated that robo-advisors promote disciplined investing, reduce emotional biases, and improve long-term financial planning efficiency.

Annamaria Lusardi and Olivia S. Mitchell (2014) examined the importance of financial literacy in financial decision-making. The objective of the study was to analyse how financial knowledge influences savings and investment behaviour. The major research question focused on whether individuals with higher financial literacy make better financial decisions. The tools used include econometric analysis. The findings revealed that higher financial literacy leads to improved financial planning and long-term financial stability.

D'Acunto et al. (2019) evaluated the behavioural impact of robo-advisors on investors. The objective of the study was to examine whether robo-advisors improve investor decision-making. The major research question focused on behavioural changes in investment practices. The tools used include regression analysis and behavioural finance models. The findings showed that robo-advisors reduce biases such as overconfidence and herding, though over-reliance may limit active learning.

Belanche et al. (2019) analysed the adoption behaviour of robo-advisory services. The objective of the study was to identify factors influencing user adoption. The major research question focused on what drives individuals to adopt robo-advisors. The tools used include Structural Equation Modeling (SEM). The findings indicated that perceived usefulness, ease of use, and trust significantly influence adoption.

Chhatwani, M., and Mishra, S. (2021) examined the impact of fintech on financial literacy. The objective of the study was to analyse whether fintech usage improves financial

knowledge. The major research question focused on the relationship between fintech usage and financial literacy levels. The tools used include correlation analysis. The findings revealed a positive relationship, indicating that continuous interaction with fintech platforms enhances financial awareness.

Gupta, K., and Singh, S. (2020) studied awareness of digital financial services among youth in India. The objective of the study was to assess awareness levels. The major research question focused on how informed young individuals are about fintech tools. The tools used include percentage analysis. The findings showed moderate but increasing awareness due to smartphone usage and accessibility.

V. DATA ANALYSIS & KEY FINDINGS

The analysis reveals several important insights regarding financial literacy and the role of robo-advisors among young investors.

A majority of respondents demonstrated basic awareness of financial concepts; however, their depth of knowledge remained moderate. While many participants reported practicing budgeting and diversification, a significant portion still lacked confidence in making independent financial decisions.

Awareness of robo-advisors was relatively high, with most respondents indicating familiarity with such platforms. However, actual usage levels were slightly lower, suggesting the presence of barriers such as trust issues and limited understanding of platform functionality.

Among users, robo-advisors were primarily utilized for their convenience, low cost, and ability to generate returns. The findings indicate that these platforms significantly contribute to improving financial knowledge through practical exposure. A large proportion of respondents agreed that robo-advisors helped them understand financial concepts, enhance planning skills, and make more informed investment decisions.

Statistical analysis further supports these findings. Correlation results show a positive relationship between robo-advisor usage and financial literacy, while regression analysis confirms that usage has a significant impact on financial planning behavior. Additionally, behavioral changes such as improved financial discipline, increased confidence, and better emotional control were observed among users.

Overall, the results suggest that robo-advisors play a meaningful role in enhancing both financial literacy and investment behavior among young investors.

Suggestions

- Financial institutions should conduct awareness campaigns to educate young investors about the benefits and usage of robo-advisors.
- Robo-advisory platforms should enhance transparency and data security measures to build user trust.
- Integration of educational features such as tutorials and financial tips can further improve financial literacy.
- Government and policymakers should promote digital financial literacy programs targeting youth.
- Fintech companies should focus on improving user experience and engagement to encourage consistent usage.

VI. CONCLUSION

The study concludes that robo-advisors play a significant role in enhancing financial literacy among young Indian investors. By offering automated, data-driven financial advice along with user-friendly interfaces, these platforms help individuals understand financial concepts and also improve their investment decision-making processes.

The findings indicate that users of robo-advisors demonstrate better financial awareness, improved planning behaviour, and increased confidence in managing investments. Additionally, robo-advisors contribute to reducing behavioural biases and promoting disciplined investment practices. However, the effectiveness of these platforms is influenced by factors such as user trust, awareness levels, and digital literacy.

Overall, robo-advisors serve not only as investment tools but also as practical learning platforms that bridge the gap between financial knowledge and application.

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