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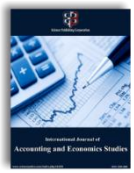

From Algorithms to Advice: Exploring The Evolution and The Future of Robo-Advisory in India

Dr. Keren Kirit Khambhata [1], Ms. Ananya Mistry [2], Ms. Yomika Khurana [2], Dr. Pratha Jhala [3] *, Dr. Ritesh Khatwani [4]

[1] Assistant Professor, Auro University, Surat, India
[2] Fountainhead School, Surat
[3] Assistant professor, Department of Business and Industrial Management, Veer Narmad South Gujarat University, Surat, India
[4] Symbiosis Institute of Business Management, Symbiosis International (Deemed University) (SIU), Pune, India
**Corresponding author E-mail: psjhala@vnsgu.ac.in*

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Abstract

This study explores the evolution and future of robo-advisory services within India's wealth management sector. The purpose is to examine the current state, penetration potential, and regulatory landscape of these algorithm-driven financial platforms. Adopting a qualitative approach, the research gathers insights from industry experts through semi-structured interviews to address key questions about the market's drivers, challenges, and future trajectory. The results indicate that the robo-advisory segment in India possesses significant growth potential, fueled by rising smartphone usage and a tech-savvy demographic. Experts identify a hybrid model, which combines digital automation with human expertise, as the most promising future direction. The findings also suggest a trend towards mergers and acquisitions between traditional financial firms and robo-advisory startups. However, challenges such as the difficulty in providing ultra-customized advice and the need for stricter regulatory norms to prevent fraud and ensure investor protection were highlighted. The study concludes that while robo-advisors are set to expand financial inclusion and disrupt traditional wealth management in India, their sustainable growth will depend on the adoption of hybrid service models and the development of a robust regulatory framework that balances innovation with consumer safety.

Keywords: *Robo-Advisors; Fintech; Millennials; Banking; Wealth Management.*

1. Introduction

The “uberisation” of the global economy has completely disrupted the traditional industries like transportation, accommodation by the arrival of technology-centric players such as Uber for transportation, and Airbnb for peer-to-peer room rentals. The rise and wider application of internet-based technologies across various sectors is touted to be the main reason for the disruptive innovation witnessed in the last decades. The finance industry has also been affected by these disruptive technologies owing to the digital transformation of services like online payments, phone banking, etc. The banking industry has always embraced technological upgradations to ease the transaction processes and facilitate the end customer. A few breakthrough banking innovations witnessed in the last century are the introduction of credit cards in 1950, automated teller machines introduced by Barclays Bank in the year 1967, and various e-banking services since the early 2000s, like fund transfer, mobile banking, bill payments, and others. (Independent Banker, 2017).

The pace of adoption of these technologies was slow compared to the fast-paced integration of new banking technologies recently, which have enhanced the way customers are served. This growth is attributed to multiple reasons. Predominantly, it was in the wake of the global financial meltdown in early 2008 that the trust in the traditional banking system started dissipating, thus paving the way for non-banking, technology-based players to enter the industry (Abraham et al., 2019). These non-banking players gave rise to the new emerging industry called Fintech - the financial technology companies based on the use of technology to make financial services more efficient. The banking sector is likely to see more change in the decade to follow than it did in the past two centuries because of innovations in financial technology, or FinTech (Phoon & Koh, 2017).

The collapse of the economy after the 2008 crisis led to the development of more stringent regulations for the traditional banking industry to recover the waning trust of the consumers. This gave impetus to a whole range of innovations that were going to disrupt the existing ways in which financial services were provided. Thus, while the incumbents were focused more towards compliance and risk management programs rather than innovation, the non-banking, technology-driven players entered the industry and provided the financial services at a reduced cost and extended the market reach.

Moreover, the reduced costs due to technology empowerment lowered the entry barriers, which led to the potential disruption of the incumbents. In addition to this, consumer behavior drastically underwent a transformation after the introduction and growth of mobile and online services. These reasons played a major role in the phenomenal rise of the new age financial companies called Fintech. Within the whole range of innovations offered by the Fintech industry, from financial literacy to cryptocurrency, the wealth management sector has also been disrupted. The tech-enabled wealth management services are a low-cost alternative based on algorithms used to build and manage clients' portfolios. They are known as robo-advisors as they are automated financial advisors, as compared to traditional human advisors. The online wealth management advisory concept is to provide low-cost, transparent, and constant access to all customers. Before the financial crisis of 2008, these algorithms were only available to assets under management (AUM) licensed companies that charged higher fees for advisory services to their clients (Nikiforova, 2017).

Robo-advisory is still in a very nascent stage, as the first robo-advisors were introduced after the Wall Street crisis of 2008. Considering the unpleasant experience of investors from the crisis, their cautious approach towards investments was that for passive asset allocation. They preferred low-risk portfolios, which were automatically rebalanced by the early robo-advisors as per the market movements. The demand from active asset management to passive management was also due to the low interest rate and lack of positive returns from the former. This demand was addressed by the automated and low-cost robo-advisors, where portfolio rebalancing and management were taken care of by algorithmic tools.

2. Robo-Advisory Landscape - Global

Advances in Fintech have disrupted the financial service industry. With tech-based startups emerging every day, investors are left with many choices for a variety of financial services, ranging from payment to wealth management. Robo-advisory is one such Fintech platform that has gained immense popularity in the last decade. Robo-advisors are digital advisory platforms that provide investment advice to investors based on their risk preferences, goals, and other demographic factors. They are cost-effective and transparent and are accessible even to the middle- and lower-income investors. The Robo-advisory segment took off post the 2007-08 financial crisis. Though the market was dominated by North America in 2019 and the region is expected to maintain its position in 2027 (Borasi et al., 2021), there is a huge scope for its penetration in India. The global robo-advisory market size was valued at $4.51 billion in 2019, and is projected to reach $41.07 billion by 2027, growing at a CAGR of 31.8% from 2020 to 2027 (Borasi et al., 2021). Recent empirical studies have also examined robo-advisory platforms from an economic standpoint. For instance, D'Acunto et al. (2019) found that households using robo-advisors in Germany experienced lower investment costs and demonstrated improved portfolio diversification, thereby generating long-term efficiency gains. Similarly, Jung et al. (2018) highlighted that the scalability of robo-advisors enables financial institutions to serve large client bases at marginal costs, improving overall return on investment. International evidence therefore suggests that beyond technological novelty, robo-advisors offer measurable economic benefits such as reduced advisory fees, higher accessibility for underserved investors, and efficiency improvements for firms. Integrating these findings provides a stronger rationale for assessing the penetration potential of robo-advisory platforms in India. Recent scholarship has expanded the understanding of robo-advisory beyond technology adoption, focusing on measurable economic impacts. For instance, Gomber et al. (2023) demonstrate that robo-advisory platforms reduce operational costs by up to 40% relative to traditional models, while enhancing portfolio efficiency. Similarly, Jain and Ramesh (2023) highlight how digital platforms in India can accelerate financial inclusion among underbanked segments through low-cost advisory. On the regulatory front, OECD (2022) and IOSCO (2023) emphasize the growing need for global harmonization of robo-advisory frameworks to safeguard investors while promoting innovation.

From an economic lens, robo-advisory not only improves cost efficiency but also contributes to profitability and scalability in asset management. Evidence from European markets shows positive ROI for hybrid advisory models (Mehta & Zingales, 2024), while Chinese studies reveal that smartphone penetration significantly accelerates adoption among retail investors (Li & Chen, 2022). These findings suggest that robo-advisory should be evaluated not only as a technological innovation but also as a structural economic driver shaping firm strategies and capital market efficiency.

3. An Overview of the Robo-Advisory Landscape -India

The landscape of the robo-advisory business looks promising, with 85 firms currently operating in India, and the total assets under management (AUM) of such entities are estimated to be $13 billion in the year 2021. The assets are expected to grow at a CAGR of nearly 43 per cent between 2021 and 2025, with the AUM likely to reach nearly $54 billion by 2025 (Statista Market Report, 2021). The number of Indians who use robo-advisory services is also expected to touch nearly 330 million by 2025. In comparison, the AUM of robo-advisory in the US market is estimated to be 1 trillion dollars (Rukhaiyar, 2021). Many small-time investors in India do not have access to traditional financial advice due to high cost and lack of convenience (Bhatia et al., 2020). However, a large chunk of the population in India has access to smartphones and the Internet, thus making India a lucrative market for robo-advisory firms. Platforms such as Groww, NiyoMoney, and Kuvera have become well known in the past five years, and many tech-savvy investors are now resorting to digital financial advice platforms for hassle-free investment wealth management (Cedrell and Issa, 2018). One major advantage these robo-advisory platforms have over traditional human advisors is the fact that the algorithms used by these platforms provide real-time financial advice based on the current macro-economic trends and performance of various financial instruments. Compared to developed economies like the US and EU—where financial literacy is higher and regulatory standards are relatively mature—India presents unique conditions. Smartphone penetration and digital payment adoption have surged, yet financial literacy and trust in automated advice remain comparatively low (Reserve Bank of India, 2023). This duality positions India as a high-potential but high-challenge market, requiring a hybrid regulatory and business approach.

4. Purpose of The Study

Incumbents in the traditional wealth management sector have taken notice of the potentially disruptive entry of a Fintech firm. Consequently, the traditional firms have introduced robo-advisory platforms to their clients as well. This implies that the incumbents have been able to recognize the threat presented to them by the robo-advisory platforms. In this paper, we attempt to present the views of the incumbents on the future of robo-advisory platforms in India. We also endeavor to get their views on the penetration potential of these platforms in the Indian market and the possible regulatory issues and challenges.

5. Methodology

The research attempts to throw some light on the views of the incumbents on the future of the Robo-advisory platform in India. Moreover, a major objective of the paper is to map out different possibilities for the future of this platform in India based on the opinion of incumbents. We also discuss the penetration potential of robo-advisory platforms and the regulatory issues and challenges associated with these automated platforms. The following are the research questions that this research attempts to address

1) What is the current state of the Robo-advisory space in India?
2) What are the drivers and inhibitors for Robo-advisory firms to penetrate the Indian market?
3) What regulatory framework would be best suitable for Robo-advisory firms?
4) What does the future of Robo-advisory firms look like?

These questions have been answered based on the interview responses of Finance industry practitioners.

6. Research Design

The study is exploratory in nature. The main objective is to explore the current state of affairs in the Advisory segment and to envision a future for the industry based on the experts' opinion method. After an extensive literature review, a semi-structured interview was conducted, and structured open-ended questions were asked to the experts who agreed to participate in the interview (Bhatia et al., 2020). The study presents insights gained through experts on the following broad themes of robo-advisory platforms.

1) Penetration potential in the Indian market
2) Future of the robo-advisory platforms in India
3) Regulatory issues and challenges

7. Sampling

Experts working in the wealth management sector were contacted to participate in the research. Researchers' personal contacts were used to identify and contact the experts. A total of 20 experts were contacted, of whom 10 agreed to give an interview. The participants were part of various sub-segments of the wealth management sector, ranging from Portfolio Management Service to Equity research and Financial Advisory. The experts had an average experience of over 15 years in their respective fields. The majority of the experts were from Gujarat, and two experts were from Maharashtra. The concentration of experts from Gujarat and Maharashtra reflects both accessibility through researcher networks and the fact that these states represent significant hubs of financial services activity in India. Gujarat, with its International Financial Services Centre (GIFT City), and Maharashtra, home to Mumbai as the country's financial capital, together account for a disproportionately large share of wealth management activity. Thus, while regionally concentrated, the sample captures practitioners operating in nationally influential financial centers. The regional concentration in Gujarat and Maharashtra was mainly due to accessibility through researchers' professional networks. While these states have active financial ecosystems suitable for an exploratory study, this concentration may limit representativeness. Future studies could expand to other regions for broader insights.

8. Data Collection

The interview method of data collection was used in the study. Five out of ten experts were interviewed on online platforms such as Zoom and Google Meet. One expert was interviewed face-to-face, and the remaining four experts agreed to a telephonic interview. The average length of each interview was 27 minutes. The experts were first introduced to the study and its main purpose of the study. Subsequently the all the participants gave responses to open-ended questions.

9. Data Analysis

The main objective of a qualitative study is to gain insights into the opinions of perceptions of the respondents so that hypotheses can be formulated. Thus, in the present study, the method of content analysis has been used to analyze the data. In order to perform content analysis, a transcript of all the interviews was created. Subsequently, the interviews were summarized and analyzed to identify broad themes that were common in most interviews. The major themes that emerged were standardization, hybrid model, a future of mergers and acquisitions, difficulty in ultra-customization, and the need for stricter regulations.

10. Findings

The findings are presented thematically to ensure clarity for readers who may be less familiar with robo-advisory. Each theme—such as hybrid models or regulatory challenges—is explained in accessible terms, linking practitioner insights to broader fintech and economic contexts.

The following key themes emerged based on the content analysis

1) Penetration potential in the Indian market

A. Huge potential
B. Economic impact and scalability
C. Standardization

2) Future of the robo-advisory platforms in India

A. Hybrid Model
B. Mergers and acquisitions
C. Difficulty in ultra-customization

3) Regulatory issues and challenges

A. Stricter regulatory norms required

The following is a detailed discussion of the findings of content analysis.

4) Penetration potential in the Indian market

All the experts thought that the robo-advisory segment has huge penetration potential in India. Experts 1, 3, and 5 were of the opinion that these platforms can be effectively used for financial inclusion. Moreover, according to Expert 6, the tech-savvy millennial generation will contribute immensely to the growth of the segment.

B. Huge potential

According to Expert 10, these platforms will give huge competition to the incumbents in the future. Given the size of the Indian market, tech-savvy youth of the country, and ease of usage of these platforms, it goes without saying that these platforms will grow immensely in the next decade.

C. Economic impact and scalability

Several experts also highlighted that the true disruptive potential of robo-advisory platforms lies not only in their technological sophistication but also in their economic viability. By automating large parts of the advisory process, these platforms significantly reduce operational costs when compared to traditional human advisors. For instance, while conventional wealth managers often charge annual advisory fees ranging between 1–2% of assets under management, robo-advisors can operate at a fraction of this cost, often below 0.5% (Phoon & Koh, 2017). Such cost efficiency allows firms to expand their client base without a proportional increase in expenses, thereby achieving scalability. Expert 2 particularly noted that the marginal cost of serving an additional client on a robo-advisory platform is negligible once the technology infrastructure is in place, thus improving overall return on investment (ROI) for firms. Similarly, Expert 6 emphasized that cost savings achieved through robo-advisory can make wealth management accessible to middle-income investors who were previously excluded due to high fees, thereby linking economic efficiency with financial inclusion. These insights suggest that economic scalability, alongside technological capability, will be a critical driver for the growth of robo-advisory services in India.

D. Standardization

Experts 7 and 8 thought that even though the popularity of the robo-advisory platforms will most definitely grow in the future, they can only offer goal-based standardized products and may fail to capture the sentiment of the market. So, highly structured products cannot be offered by these platforms according to expert 7. Such limitations resonate with economic theories of "bounded rationality," where algorithmic models can optimize within predefined constraints but may struggle to account for nuanced behavioral factors (D'Acunto et al., 2019).

5) Future of the robo-advisory platforms in India

All the experts seemed positive about the future of these platforms in India. However, none of the experts could envision a future where these digital platforms would completely replace traditional wealth managers.

A. Hybrid Model

All the experts thought that they foresaw a hybrid model to be the best model for the robo-advisory platforms. Hence, a digital platform that is guided and monitored by a human expert was thought to be the best model for these platforms. This aligns with the "augmented intelligence" perspective in fintech literature, which suggests that technology enhances rather than fully replaces human expertise, especially in contexts where trust and judgment remain critical (Phoon & Koh, 2017).

B. Mergers and Acquisitions

Experts 7, 8, and 9 were of the strong opinion that as the robo-advisory segment grows further, more and more mergers and acquisitions will happen between the traditional wealth management firms and robo-advisory firms. Expert 7 thought that to compete successfully with newly emerging digital platforms, the traditional incumbents would acquire and merge with the established players. Expert 2 was of the strong opinion that the robo-advisory platforms will increase the share of the pie instead of splitting the pie, and ultimately, the incumbents will also benefit from these platforms by merging with them. This trend is consistent with fintech industry dynamics, where incumbent firms often acquire digital challengers to absorb innovation and protect market share, as predicted by disruptive innovation theory (Christensen, 1997).

C. Difficulty in Ultra-customization

Experts 4 and 7 believed that the digital platforms would not be able to provide ultra-customization to their client base. As all the clients are classified in specific clusters based on their risk profile and future goals, it will be challenging to provide customization within clusters. This challenge reflects the trade-off in economic theory between scalability and personalization — as platforms grow, the marginal cost of serving additional clients falls, but so does the ability to tailor services at an individual level (Jung et al., 2018).

6) Regulatory issues and challenges

All the experts thought that a stricter regulatory framework would be required to ensure that these digital platforms provide advice that is in the best interest of their customers based on the risk profile.

A. Stricter regulatory norms required

Expert 5 thought that due to the possibility of fraud taking place at the coding level in these platforms, stricter norms are required to protect the investors. In terms of policy implications, experts suggested that India could look toward adopting elements from frameworks such as the U.S. SEC's fiduciary standards for digital advisors or the European Union's MiFID II guidelines, which emphasize investor protection, disclosure, and algorithmic transparency. Tailoring such principles to the Indian context could help build trust and ensure sustainable growth of robo-advisory platforms.

Policy interventions in the Indian context could include regulatory sandboxes for fintech experimentation, SEBI-driven licensing frameworks, enhanced investor protection mechanisms, and government initiatives promoting digital literacy. Such measures would align robo-advisory growth with macroeconomic objectives like efficiency, inclusion, and sustained trust in capital markets.

Table 1: Summary of Expert Findings on Robo-Advisory in India

Theme	Key Insights
Penetration Potential	High growth driven by millennials and smartphone adoption; supports inclusion
Hybrid Model	A combination of human + algorithm integration is most effective.
Mergers & Acquisitions	Likely collaborations between incumbents and fintech firms
Standardization	Platforms offer goal-based products but limited customization.
Regulatory Needs	Stricter norms are required for investor protection and fraud prevention.

11. Conclusion

This study contributes to the growing discourse on the future of robo-advisory in India by highlighting the opportunities and challenges of integrating algorithm-driven platforms into the wealth management ecosystem. While the qualitative, expert-opinion–based approach provides valuable conceptual insights, the findings are not generalizable. Future research should therefore adopt quantitative designs—including survey-based consumer adoption studies, large-sample econometric models, and cost–benefit analyses comparing robo-advisory with traditional advisory services—to validate and extend these results.

Theoretically, the study extends innovation adoption theory to the Indian fintech context by emphasizing that adoption is not a purely technological decision but one shaped by economic efficiency, trust, and cultural norms around financial advice. The prominence of hybrid models, combining algorithmic efficiency with human judgment, illustrates how innovation diffusion in finance often requires contextual adaptation rather than full-scale disruption.

From a policy perspective, the findings underscore the need for hybrid regulation—balancing investor protection and fraud prevention with sandbox environments that encourage experimentation. Policies supporting digital literacy and inclusive access will be critical to ensuring robo-advisory contributes to national goals of financial inclusion and capital market efficiency.

In measurable economic terms, hybrid robo-advisory models have the potential to reduce advisory costs, increase return on investment for firms, and broaden access to financial planning for underserved populations. At the same time, they may reshape labor demand in wealth management, requiring reskilling initiatives and proactive policy responses. By situating robo-advisory at the intersection of technology, economics, and regulation, this study lays a foundation for both scholarly inquiry and policymaking in India's rapidly evolving fintech landscape.

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