

Robo-Advisory Wealth Management Services: Opportunities, Challenges and Regulatory Framework in India

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Abstract:

Investment awareness and effective wealth management have become essential in today's dynamic financial environment. This study aims to examine the opportunities and challenges associated with algorithm-based investment advisory (robo-advisors) in emerging markets, with a focus on India. The research adopts a descriptive and analytical methodology based on secondary data from reports, journals, and industry publications. The findings reveal that advancements in financial technology, increasing digital penetration, and cost-efficient solutions are key drivers encouraging the adoption of robo-advisory services. However, factors such as low financial literacy, lack of trust in automated systems, regulatory uncertainties, and cybersecurity concerns act as major barriers. The study highlights that while robo-advisors can enhance financial inclusion and accessibility, building user confidence and strengthening regulatory frameworks are critical. The implications suggest that policymakers, financial institutions, and educators must collaborate to improve awareness, ensure data security, and promote responsible adoption of technology-driven investment advisory services.

Keywords: Robo-Advisory, Financial Technology (FinTech), Investment Awareness, Financial Inclusion, Cyber security

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1. Introduction

Artificial intelligence (AI) and machine intelligence have influenced nearly every domain of human life, including business, employment, healthcare, and education. Finance is no exception (Bhattacharyya, 2024; Bonelli, 2025). In recent years, the landscape of financial advisory services has undergone a significant transformation driven by technological innovation (Deloitte, 2024). Among these developments, robo-advisory wealth management services have emerged as an influential force reshaping how individuals access investment advice and portfolio management (Saraswat & Dhall, 2024; PwC, 2023). Robo-advisors are digital platforms that leverage algorithms, data analytics, and automation to provide personalized investment guidance with minimal human intervention (Khanna & Jha, 2024). Originally popularized in developed markets, these platforms have progressively gained traction in India due to growth in digital adoption, increased smartphone penetration, and a rising base of tech-savvy investors (Reserve Bank of India, 2024; Khambhata et al., 2025). India's financial ecosystem is characterised by a large population of young investors seeking cost-effective and accessible solutions for wealth creation. Traditional advisory services, while effective, often involve high advisory fees and limited scalability (SEBI, 2023). Robo-advisors address these constraints by offering low-cost, scalable, and user-friendly solutions that democratize access to wealth management (McKinsey & Company, 2024; Sharma & Kesharwani, 2025).

Moreover, the recent surge in digital payment adoption, supported by government initiatives and fintech innovation, provides fertile ground for the expansion of robo-advisory services (National Payments Corporation of India, 2024). Despite the promise they hold, the integration of robo-advisory services in India also faces a unique set of challenges. These include issues related to data privacy, algorithmic transparency, customer trust, limited financial literacy, and evolving regulatory expectations (International Monetary Fund, 2023; Finance Research Letters, 2024). Additionally, the regulatory framework governing digital financial advisory services in India is still maturing, requiring clarity on compliance, investor protection, and operational standards (SEBI, 2024). This research aims to systematically explore the opportunities and challenges associated with robo-advisory wealth management in the Indian context, analyse industry practices, and assess the adequacy of the current regulatory framework. Through this study, key insights will be generated that can guide practitioners, policy-makers, investors, and academicians in understanding the transformative potential and limitations of robo-advisory services in India.

2. Objectives of the Study

1. To analyze the concept and evolution of Robo-Advisory Wealth Management services
2. To review the existing regulations for Robo-Advisory Wealth Management services in India
3. To identify growth opportunities for Robo-Advisory Wealth Management services in India
4. To examine challenges affecting adoption of Robo-Advisory Wealth Management services in India
5. To analyze possible strategies to overcome challenges for Robo-Advisory Wealth Management services in India

3. Review of Literature

Bhattacharyya (2024) examined existing literature on robo-advisory services and highlights their growing role in transforming financial advisory through automation and AI. The study emphasizes benefits such as cost efficiency and accessibility, while also identifying challenges like trust issues and regulatory concerns. Bonelli (2025) explored the convergence of artificial intelligence and robo-advisory within the FinTech ecosystem, particularly in the Indian context. The study finds that AI integration enhances decision-making and personalization but raises concerns regarding transparency, data security, and ethical implications.

Saraswat and Dhall (2024) provided a comprehensive analysis of robo-advisors for both companies and investors, focusing on operational efficiency and customer experience. The research concludes that robo-advisors improve scalability and reduce costs, though human advisory still plays a complementary role. Khanna and Jha (2024) analyzed robo-advisory as an AI-based financial product, emphasizing its ability to deliver personalized investment solutions. The study highlights technological advantages while pointing out limitations such as lack of emotional intelligence and investor trust deficits.

Khambhata et al. (2025) investigated the evolution and future prospects of robo-advisory services in India. The study identifies strong growth potential driven by digital adoption, while also stressing the need for regulatory clarity and improved financial literacy. Sharma and Kesharwani (2025) presented a literature review on algorithm-driven wealth management services, focusing on global trends and adoption patterns. The findings suggest that robo-advisors enhance financial inclusion but face barriers such as cybersecurity risks and limited awareness among investors.

4. Research Methodology

The present study adopts a **descriptive and analytical research design** based exclusively on secondary data. The descriptive approach is used to understand the growth, structure, and functioning of robo-advisory wealth management services in India, while the analytical approach evaluates the opportunities, challenges, and regulatory framework governing such services. This design enables a systematic examination of existing literature, industry developments, and policy measures without primary field investigation.

5. Discussion and Analysis

• Evolution of Robo-Advisory Wealth Management Services

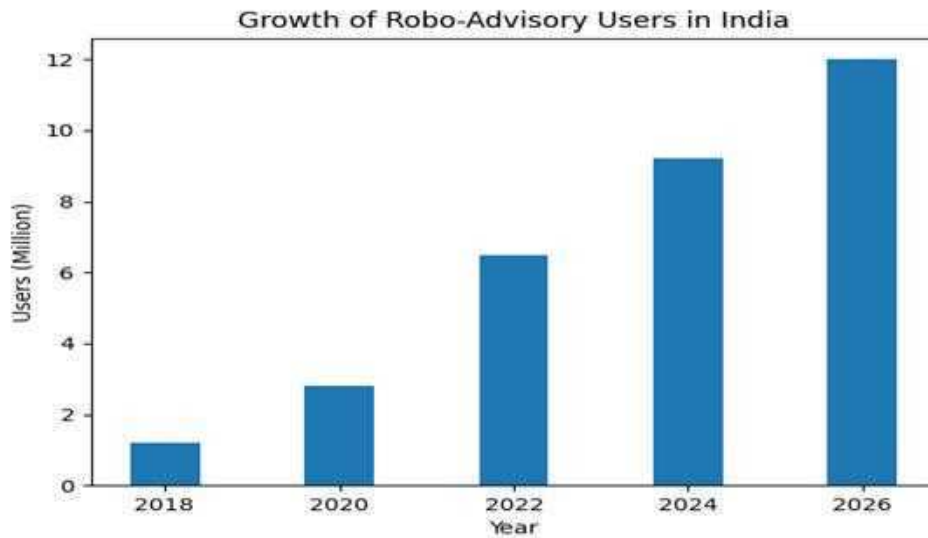
Robo-advisors trace roots to early 2000s online tools but gained traction post-2008 crisis, addressing demands for affordable, transparent investing. Betterment (2010) and Wealthfront (2011) pioneered direct-to-consumer models using algorithms for portfolio management and rebalancing. Expansion hit Europe with Nutmeg (2013, UK) and MoneyFarm (2012, Italy), Australia via Stockspot (2014), and Asia including Japan (2015). By 2015, global assets under management reached \$60 billion, prompting incumbents like Vanguard and Schwab to launch hybrids. India's journey began with Funds India's 2009 launch by Srikanth Meenakshi and C.R. Chandrasekar, offering online mutual fund platforms with algorithmic elements during the crisis recovery. True robo-advisors proliferated post-2013 SEBI Investment Advisers Regulations, enabling registered automated services. Platforms like Scripbox (2012), WealthTrust, ET Money-Genius (2015) and OroWealth (2015), Kuvera (2016), Groww-Auto (2016), 5paisa Auto (2016), INDmoney (2019) followed, focusing on goal-based portfolios amid rising smartphone penetration. By **2015**, robo-advisors had grown from niche start-ups into a recognised segment of the financial industry, managing **tens of billions in assets** across multiple markets and attracting interest from large financial institutions. As robo-advisory services matured through the **late 2010s and early 2020s**, platforms began integrating **more sophisticated AI and machine-learning tools**, expanding beyond basic portfolio management toward features such as tax-loss harvesting, goal-based planning, and personalized risk profiling. In the **2020s**, the industry has seen a mix of **consolidation and refinement** some incumbents exited or were restructured, while others expanded their services and assets under management. By 2023-2025, assets under management hit projections near \$23 billion, driven by Digital India and Fintech booms, though many early pure-plays pivoted or merged. India's robo-advisory segment is increasingly recognized as an important enabler of digital financial planning and wealth management, particularly for younger, tech-savvy investors seeking convenient, low-cost automated investment solutions. India's top robo-advisors blend AI-driven portfolio management with mutual funds, stocks, and goal-based investing, often SEBI-registered for compliance. Leading platforms include Scripbox, Kuvera, and ET Money, with growing AUM fueled by digital adoption.

Table 1: Growth of Indian Robo-Advisory Market

Year	Estimated AUM (USD Billion)	Users (Million)	Growth Rate (%)
2018	2.5	1.2	—
2020	5.0	2.8	100%
2022	12.0	6.5	140%

2024	18.0	9.2	50%
2026*	23.0	12.0	27%

Source: Compiled by the researcher from Statista (2024), IMARC Group (2024), and PwC India FinTech Reports (2023–2024).



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The steady growth suggests improved digital literacy, smartphone penetration, and affordability of automated investment platforms.

• Regulatory Frame Work For Robo-Advisory Wealth Management Services In India

In India, there isn't a separate 'robo-advisor law', but algorithm-based investment advisory is fully regulated under the SEBI (Investment Advisers) Regulations 2013 and related guidelines. There is no separate legal framework exclusively for robo-advisors; instead, technology-driven advisory platforms are treated as registered Investment Advisers (IAs). They must obtain SEBI registration through Form A and comply with eligibility norms relating to capital adequacy, meeting net worth criteria (₹5 lakh individual/₹50 lakh body corporate) professional qualifications, and certification (such as NISM requirements for principal officers). Recent amendments notified during 2024–2025 further refined the regulatory environment to balance innovation with investor protection. Fixed net worth requirements were replaced with a graded deposit system (₹1-10 lakh based on client numbers) thereby reducing entry barriers for fintech startups. The introduction of the "Most Important Terms and Conditions" (MITC) in February 2025 format standardized disclosures relating to fees, risks, grievance redressal, and AI usage. SEBI also mandated explicit disclosure of artificial intelligence tools used in advisory functions, while placing full responsibility and liability on the registered adviser.

• Key Legal Points for Algorithm-Based Advisory in India

The regulatory framework governing robo-advisory services in India, led by SEBI, emphasizes transparency, investor protection, and accountability. Investment advisers are required to follow a fee-

only model, prohibiting commission-based income to avoid conflicts of interest. Transparent fee structures such as Assets Under Advice (AUA)-based fees and fixed fee caps are mandated to safeguard investor interests. Platforms must conduct proper risk profiling and suitability assessments before offering recommendations and ensure clear client agreements outlining services, fees, and associated risks. Regulations also mandate maintaining records for a minimum of five years, implementing effective grievance redressal mechanisms, ensuring data privacy, and undergoing periodic SEBI audits. As per Regulation 15(14), advisers using artificial intelligence are fully responsible for the security, confidentiality, and integrity of client data, as well as the accuracy and legal compliance of algorithm-based advice. Transparency requirements prohibit “black-box” systems, requiring clear disclosure of AI-driven processes.

- **Opportunities for Robo-Advisory Wealth Management Services**

Robo-advisory wealth management services in India leverage algorithms for automated, low-cost investment advice, presenting significant growth potential amid rising digital adoption. These platforms address key market gaps while navigating regulatory and adoption hurdles. India’s robo-advisory market presents strong growth potential, driven by a rapidly expanding wealth management sector and a young, digitally inclined population. Household financial assets are projected to reach nearly \$5 trillion by 2026, while the robo-advisory segment itself is expected to grow significantly, with revenues estimated to reach around US \$2,153 million by 2030 at a CAGR of approximately 33.7%. Assets Under Management (AUM) in this segment are also projected to rise substantially, with estimates ranging between US \$19–25 billion by the mid-2020s. This growth is further supported by increasing user adoption, with earlier projections suggesting that the number of robo-advisory users in India could reach hundreds of millions, reflecting a vast untapped market. A key advantage of robo-advisory platforms lies in their cost efficiency and accessibility. These platforms typically offer services at fees 50–80% lower than traditional advisory models, making wealth management affordable for the mass affluent segment.

- **Challenges for Robo-Advisory Wealth Management Services**

Robo-advisory wealth management services in India face multiple hurdles that limit widespread adoption despite their potential. Key challenges include low awareness, regulatory gaps, and infrastructure limitations, often backed by recent market data. The adoption of robo-advisory services in India is primarily hindered by deep-seated socio-cultural barriers and a significant gap in financial literacy. With only 24–27% of Indian adults considered financially literate, many potential investors struggle to grasp the benefits of automated wealth management, leading to a natural hesitation toward algorithmic decision-making. This is compounded by a strong cultural preference for human interaction; over 70% of Indian investors value personal relationships and family-based financial traditions, often viewing AI as impersonal or untrustworthy. Consequently, a massive segment of the population particularly the 60% residing in rural or semi-urban areas remains disconnected from digital investment services due to limited awareness and a lack of exposure to sophisticated fintech tools. Technological and security challenges further restrict the growth of automated investing beyond urban elites. While digital adoption is rising, internet penetration remains uneven, with rural access lagging at 30% and low-bandwidth issues creating significant barriers for users on basic smartphones. Moreover, the rise in cybercrime exceeding 1.5 million incidents annually has heightened fears regarding data privacy and the transparency of robo-platforms. These concerns, paired with inherent behavioral biases such as high risk aversion among 65% of retail investors, make users wary of automated rebalancing during the Sensex’s typical 15–20% annual volatility. This lack of confidence is reflected in the market, where only 1–2% of investable wealth

currently utilizes robo-tools. Robo-advisory wealth management services in India combine algorithmic automation with investment advice, showing strong growth potential amid digital adoption. A SWOT analysis highlights internal strengths and weaknesses alongside external opportunities and threats, drawing from market trends and prior data like \$23 billion projected AUM by early 2026.

- **Strategies to overcome Challenges:**

To accelerate the adoption of robo-advisory services in India, the industry must prioritize a blend of localized education and a "human-plus-machine" approach. By launching digital literacy campaigns and simulators in regional languages, platforms can demystify automated investing for the 60% of the population in Tier-II and Tier-III cities. Adopting hybrid advisory models—where sophisticated algorithms handle portfolio management while certified human advisors provide support via chat or video—can bridge the trust gap and reduce the "algorithm aversion" common during market volatility. This inclusive strategy, supported by simplified paperless KYC and intuitive vernacular interfaces, ensures that digital wealth management reaches beyond the urban elite to a more diverse demographic. Simultaneously, building a sustainable ecosystem requires a focus on uncompromising security, advanced personalization, and strategic collaboration. Implementing AI-based fraud detection and end-to-end encryption is essential to combat cybersecurity fears, while leveraging machine learning allows for goal-based, tax-efficient portfolios that cater to individual life stages. Beyond technology, fintechs should proactively collaborate with regulators like SEBI to ensure transparent operations and form strategic partnerships with banks or NBFCs to integrate robo-tools into existing "super-apps." By clearly disclosing fee structures and providing real-time performance dashboards, platforms can foster the long-term credibility necessary to capture a larger share of India's \$5 trillion in household assets.

- **SWOT Analysis of Robo-Advisory Wealth Management Services In India**

STRENGTHS	WEAKNESSES
1. Cost Efficiency 2. 24/7 Accessibility and Speed 3. Data-Driven Personalization 4. Scalability	1. Trust Deficit Compared with Human Advisors 2. Algorithmic Opacity 3. Tech Dependence 4. Limited Customization
OPPORTUNITIES	THREATS
1. Growing Fintech Ecosystem 2. Young & Tech-Friendly Population 3. Tier-II & Tier-III Market Expansion 4. Financial Inclusion	1. Regulatory Gaps 2. Cybersecurity Risks 3. Market Volatility 4. Competition

6.Conclusion

The study concludes that robo-advisory wealth management services in India represent a transformative shift in the financial advisory landscape, driven by digital innovation, cost efficiency, and scalability. The

rapid growth in smartphone penetration, fintech development, and a young investor base has created strong opportunities for expansion. However, challenges such as low financial literacy, trust deficit, cybersecurity concerns, and evolving regulatory requirements continue to restrict widespread adoption. The regulatory framework under SEBI has strengthened transparency and investor protection, though compliance costs and operational complexities remain significant for service providers. To ensure sustainable growth, robo-advisory platforms must focus on investor education, enhanced personalization, hybrid advisory models, and robust data protection mechanisms.

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