

INTERNATIONAL CONFERENCE ON

"EMERGENCE OF ARTIFICIAL INTELLIGENCE IN
FINTECH -PAVING THE WAY FOR A BETTER FUTURE"

Date : 14.09.2023



DEPARTMENT OF COMMERCE - BUSINESS PROCESS SERVICES & RETAIL MARKETING

SRI RAMAKRISHNA COLLEGE OF ARTS & SCIENCE
Co-Ed, Ranked 86th by NIRF 2023, SIRO recognised, AICTE &
UGC approved, ISO 9001: 2015 Certified
AVINASHI ROAD , NAVA INDIA , COIMBATORE - 641 006
TAMIL NADU, INDIA

Editor in Chief
Dr D Moorthy

INTERNATIONAL CONFERENCE

ON

**“Emergence of Artificial Intelligence in Fintech – Paving the
way for a Better Future”**

Editor-in-Chief

Dr D MOORTHY

DEPARTMENT OF COMMERCE - BPS & RM

SRI RAMAKRISHNA COLLEGE OF ARTS & SCIENCE(Autonomous)

Avinashi Road, Nava India, Coimbatore- 641006

14 SEPTEMBER 2023

S.NO	TITLE	PG.NO
49	Digital Payment Sandhiya V V, Sudalai Mani P	317
50	Artificial Intelligence S.Keerthana, R.Charumathi	325
51	Fraud Detection and Security Ms. V. Subhasri, Ms. I. Evanjalin	331
52	Digital Banking Indrani P, Sharumathi.C	339
53	Exploring Modern Customer Attitudes Towards Digital Banking in Sivakasi A.Karkuvelraj, Dr. V. Karthihai Selvi	346
54	Customer-Centric Fintech in the Age of Ai: Opportunities, Challenges, and Strategic Recommendations Maria Sneha A, Jayalakshmi M, Dr. Girish S,	357
55	Customer Experience and Ai Ramani Prabha.S, Madhu	365
56	Emergence Of Artificial Intelligence in Fintech – Understanding Robo – Advisors Among the Financial Customers Dr. D. Moorthy, Mrs. Christina Jeyadevi J and Mrs. Laxmi B	372
57	Online Lending and Borrowing Sathyaprabha T, Swetha S	377
58	Cryptocurrency and Blockchain Abinaya. M, Shofia. V	385
59	Digital Banking – An Empirical Study Dr.A.Ramya and Yamini S.T	392
60	Artificial Intelligence in Financial Services: A Qualitative Study On Robo-Advisors and Traditional Financial Advisors. M. Princess Monica Victoria, and Dr. K. Sudha	398

EMERGENCE OF ARTIFICIAL INTELLIGENCE IN FINTECH - UNDERSTANDING ROBO – ADVISORS AMONG THE FINANCIAL CUSTOMERS

Dr. D. Moorthy

Associate professor and Head of the Department of Commerce (BPS),
Sri Ramakrishna College of Arts and Science, Coimbatore.

Mrs. Christina Jeyadevi J

Assistant Professor, Department of Commerce with Computer Applications,
PSG College of Arts & Science, Coimbatore.

Mrs. Laxmi B

Assistant Professor, Department of Commerce - Accounting and Finance,
PSG College of Arts & Science, Coimbatore.

Abstract

The revolution of finance and investment in the present state of affairs is a huge development around the world. People started investing in risky avenues as they are risk averse and risk taking investors. They invest in shares, debentures, bonds, crypto currencies knowing the risk involved in it. Some people go for financial advisors where they get advice for investing for a commission or a fee. Robo-Advisor is a software financial service provider which is designed by some big financial organizations to make the process of financial advice to their customers at a nominal cost or free of cost. Since Robo-Advisor is a new concept that is emerging in financial services, the authors had taken the topic to make it clear for the readers. The paper contains the concept, working, regulatory aspects, and pros and cons of Robo-Advisor. The paper would give an insight about the Robo-Advisor in Fintech services.

Keywords: Investment, Advice, Robo-Advisor, Fintech, Services.

Introduction

The economy of India is growing enormously than expected. The earning capacity of the people has also reached a peak where people started to invest in various investment avenues opened in front of them. The well known and safe invest people feel is the gold investment and the bank deposits. Now-a-days, people started to invest in risky investment avenues as they are ready to take risk and expect high returns too. People work and spend from home through online options available at 24/7 basis. Organizations also work round the clock to maintain their customers. In this, people don't prefer going out to find an advisor for investing money in the

investment options available. They started to browse to get information regarding where and how to invest their money. There started the new era of Robotics in all aspects of our life, robo has crept into the field of advising people in investment. In this, many investment companies has made a robo-advisor services, not physical robo but a software robo to clear off their doubts regarding investment and shows the appropriate place to invest. The fees charged is also very less or sometimes made free of cost. In this paper we shall see about the new concept robo-advisor, its working, benefits in the field of finance and investment. The authors have taken steps to make clear of the robo-advisor in the new generation.

Aim of the paper

1. To know about the concept and working of robo-advisor in the part of finance.
2. To enumerate the regulatory bodies governing robo-advisor
3. To know the pros and cons of using robo-advisor.

Concept and working of robo-advisor

A robo-advisor, otherwise called robo investing, digital advisers or smart portfolios, is a virtual financial advisor who employs artificial intelligence (AI) to provide a pre-selected set of financial advising services. Some financial institutions, such as Charles Schwab, Fidelity Investments, and E-Trade, provide expert advice for investment and portfolio management, and investors engage with the robo-advisor via their network or smart phones. Customers can choose from more than 200 different robo-advisor services available for them.

For the robo-advisor, the person who registers for its services has to give a brief details about themselves, as to demographic and person information as to name, age, gender, job nature, income, his current assets, liabilities, investment goals and his risk taking ability to know his ability to take the bull and bear of the stock market. With algorithm and software, robo-advisor create a diversified portfolio for investment of client's fund. After the money are invested, the software automatically rebalances the portfolio to keep it near to the intended allocation. Some robo-advisors provide live consultations or access to a professional human financial planner who can assist in prioritizing goals and making recommendations for accomplishing them. Users can access their investment accounts to track progress, make changes, or continue pursuing their goals. Robo-advisor software also selects stocks for portfolios by combining AI technologies with a knowledge base to stimulate judgment and behavior in the financial area as a specialized human expertise, giving quick and prompt response to the customer's requests for a comparatively minimum cost.

For example, A robo-advisor will ask certain questions when we wish to establish a nest egg for retirement or a child's graduation. Such as age, income, retirement age, fund amount, risk tolerance, present assets, and so on. Based on this data, the robo-advisor will automatically distribute assets across equities, debt, commodities, and so on, curating the most efficient investment portfolio according to our investing goals. Fisdom, Angel Broking ARQ, 5Paisa Auto Investor, Scripbox, Sharekhan NEO, and ET Money are among the best robo-advisors in India.

Regulatory bodies governing robo-advisor in India

Transparency, record-keeping, data protection, and reliance on deceptive data are some of the regulatory complexities raised by the business when it comes to robo-advisor. Furthermore, determining legal liability amongst the parties, i.e. the program's developers, robo-advisor owners, and the individual or team operating it, is a matter of legal interpretation. Countries anticipated regulatory inclusion due to probable conflicts of interest between the client and the advice firm. In India, the Securities Exchange Board of India (SEBI) stated in a 2016 consultation paper that using the automated tool is not forbidden under the SEBI (Investment Advisers) Regulations 2013. It classified robo-advisors as investment advisors in order to keep legislation technology-neutral and foster innovation.

SEBI's attitude is extremely important for the future availability of technology in India. The scope of regulation is determined by the services provided by the service provider (distributor and advisor), the technology used, and human intervention.

The 2016 SEBI Consultation Paper was the first time that regulatory monitoring of investment advisors was extended to robo-advisors. The online counselors were subjected to technology-neutral rules imposed by the regulator. It mandated risk profiling and investment advice entirely based on the risk profile. SEBI further extended the provisions for five years of record-keeping of the risk assessment of the profile and the appropriateness evaluation of the advice. Furthermore, the regulator advocated a broad set of checks and balances, such as checking the suitability of the tools, disclosing the technology utilized, and conducting a thorough system audit. These inspections, however, are merely indicative. Aside from the already established compulsions of risk profiling and record-keeping, the advisors have not been compelled to propose disclosures or audits. Due to a lack of technological control, there is a greater risk of dependence on false marketing materials and behavioral prejudice. As a result, the algorithms' design,

performance, and security must be subjected to human monitoring and audit, if not governmental examination.

Pros and cons of using robo-advisor

In spite the regulatory complications, there are some advantages in taking robo-advice in investing aspects. The following are the advantages of using robo-advisor.

1. The fee charged in using Robo-advisor is comparatively less than using the financial advisors.
2. Capital can be kept lower if necessary to start with.
3. The errors can be avoided in case of non-handling by the humans.
4. Accounts are automatically rebalanced.
5. Meeting schedules can be avoided.
6. Accounts can be checked in no minute.

The disadvantages as to robo-advisor are

1. There is lack of personalization in getting advice and options for investment.
2. There is no human advice as to financial planning, tax planning, estate planning etc.
3. The fees charged varies according to the account balance we maintain.
4. Online options of investing are available. So it would be seem little expensive than doing by ourselves.

Suggestions

The insight of the paper on robo-advisor has given idea about using robo-advisor and certain suggestions can be taken into consideration. The robo-advisor is purely online advice and can be used for people who find less time spending time for financial advisors. The regulatory aspects have to be made compulsory, so that people of risk-averse might also use robo-advisor. Out of all criticisms, robo-advisor if used, might make the economy at a higher level than now.

Conclusion

In India, the robo-advisory market is still in its infancy, but it is anticipated to rise to \$53.9 billion by 2025. The Indian regulator has failed to develop a consistent set of requirements for robo-advisory services in the SEBI (Investment Advisers) Regulations 2013. Until far, SEBI has simply applied pre-existing regulations like as risk profiling, record-keeping, and physical agreement to robo-advisory firms, but new legal complexity have resulted in additional regulatory requirements. Because of the additional regulatory issues faced by automated advisors, the

regulator should craft a new set of measures to protect the interests of inexperienced retail investors. Aside from compliance with data protection and anti-money laundering regulations, the sector requires regulatory transparency, auditing of records.

References

1. <https://www.ircl.in/post/does-sebi-investment-advisors-regulations-2013-encompass-robo-advisors>
2. <https://www.techtarget.com/searchenterpriseai/definition/robo-advisor#:~:text=A%20robo%2Dadvisor%20is%20a,selection%20of%20financial%20advisory%20services.>