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INVESTORS' TRUST IN ROBO ADVISOR

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Abstract
Robot advisors offer several advantages over traditional financial advisory services. However, robo-advisors are not without their drawbacks. This research aims to identify the extent to which individualistic traits influence investors' initial level of trust in financial robots. The contribution of this research is to provide insights that can be used by financial service providers and help young investors to invest easily. This research uses quantitative research methods. In quantitative research, researchers collect data through structured measurement instruments such as questionnaires to respondents via Google Form. Trustworthiness refers to a person's general willingness to trust other people in uncertain situations. Performance expectations include aspects of effectiveness, compatibility with the system used, and financial robot capabilities in the field of financial planning. Social influences from the surrounding environment, such as peers or family, can have a positive impact on trust. Trustworthiness, performance expectations, and social influence emerge as important factors influencing investors' decisions to adopt robo-advisors. As technology continues to develop and shape the financial services industry, addressing these psychological and social factors will be critical in driving widespread acceptance and use of automated investment platforms.
Keywords: *Investors Trust, Robo Advisor*

INTRODUCTION

The landscape of investment advisory services has undergone a significant transformation with the advent of robo-advisors, automated platforms that utilize algorithms to provide personalized financial advice and manage investment portfolios for individual investors. Currently, Robo Advisor is a well-known buzzword and is recognized as an important trend in the financial industry. [1].

Robo advisors are algorithm-based digital platforms designed to automate and streamline the process of investment management [2]. These platforms analyze investor preferences, financial goals, risk tolerance, and market data to offer customized investment recommendations and portfolio management strategies [1][3]. Unlike traditional human advisors, robo-advisors operate autonomously, relying on advanced technologies such as artificial intelligence (AI) and machine learning (ML) to optimize investment decisions continuously [4][5][6].

Using a robo advisor typically involves a straightforward process accessible through web-based or mobile applications. Investors begin by completing a questionnaire that gathers information about their financial situation, investment goals, and risk tolerance [1] [7]. Based on this data, the robo-advisor algorithm constructs an investment portfolio tailored to the investor's objectives and preferences [1] [3] [7] Once the portfolio is established, the robo-advisor manages it autonomously, periodically rebalancing assets and adjusting allocations to maintain alignment with the investor's goals and market conditions.

Robo advisors offer several advantages over traditional financial advisory services. They typically charge lower fees compared to human advisors, making professional investment management more accessible to a broader range of investors [1]. The automation of investment processes reduces the potential for human error and bias, leading to consistent and objective decision-making [3] [8] [9] [4] [6] [10] [11] [12] [13] [14]. Moreover, robo-advisors provide transparency through real-time performance tracking and detailed reporting, empowering investors with greater visibility into their investments [7].
However, robo-advisors are not without drawbacks. One significant concern is the lack of personalized human interaction, which some investors may find impersonal or insufficient for addressing complex financial situations [15]. While algorithms can optimize investment strategies based on data-driven insights, they may not account for unique individual circumstances or emotional factors that influence investment decisions [16]. Additionally, reliance on technology exposes investors to cybersecurity risks and potential disruptions in service during periods of market volatility [2], [13], [15], [16].

LITERATURE REVIEW

Financial Decision-Making Theory is a conceptual framework that explores and explains the complexity of individual financial decision-making processes [17]. Developed by behavioral economists, such as Richard Thaler, the theory presents a more holistic view of human financial behavior, going beyond the traditional economic rationality model. Financial Decision Making Theory presents an interdisciplinary approach that combines elements of psychology, behavioral economics, and behavioral finance. In this concept, financial decisions are viewed as the result of the interaction between economic factors and psychological factors, including individual preferences, risk perception, loss aversion, and environmental factors that influence financial behavior [18]. One of the concepts that emerged from this theory is "nudge", which refers to a small push or intervention that can influence behavior without changing options or providing significant financial incentives [19].

The characteristics of financial robots influence investment intentions. This financial decision-making theory states that a person's financial decisions are influenced by psychological factors, such as risk perception, tendency to avoid losses, and trust in technology[8] [9]. Trust propensity refers to an individual's general willingness to trust others in uncertain situations [1], [10], [20], [21]. In the context of robo-advisors, trust propensity plays a significant role in determining whether investors perceive these automated platforms as reliable and capable of managing their investments effectively[15], [16]. Previous research [22], [23] shows that initial trust propensity affects investors' initial trust in financial robots.

Performance expectations include aspects of effectiveness, compatibility with the system used, and the ability of financial robots in the field of financial planning [24]. In addition, the correctness, impariality, and security provided by financial robots also affect

performance expectations [25] [11], [26]–[28]. Thus, performance expectations of financial robots are a key factor in the decision to invest using financial robot applications. Financial decision-making theory can be used to make profitable investment decisions [29]. Since investment decisions are a matter of how financial managers should allocate funds for various projects, investment decision-making is very useful for companies. In previous studies [24], [30] showed that performance expectations affect initial trust in financial robots.

Social influence from the surrounding environment, such as peers or family, can have a positive impact on trust [31] [2]. Do people see that people around them benefit or gain confidence from using financial robo-advisors, which can provide positive reinforcement and increase people's confidence in the technology. In financial decision-making, theory is very important. They can influence investment decisions, which is the most important policy in financial management. In previous studies [23], [24], [32] showed that social influence has an effect on initial trust in financial robots.

CONCLUSION

For Understanding the drivers behind investor decision-making regarding robo-advisors has practical implications for financial service providers, policymakers, and investors themselves. By enhancing trust through transparent communication of algorithmic processes, emphasizing performance benefits through simulated outcomes and historical data, and leveraging social influence via targeted marketing and user testimonials, firms can effectively promote the adoption of robo-advisors among different investor segments.

In conclusion, trust propensity, performance expectancy, and social influence emerge as critical factors influencing investor decisions to adopt robo-advisors. As technology continues to evolve and shape the financial services industry, addressing these psychological and social factors will be essential in fostering widespread acceptance and usage of automated investment platforms. Future research could explore additional variables and longitudinal studies to capture evolving investor attitudes towards robo-advisory services in dynamic market environments.

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