

“The Impact of Digitalization and Artificial Intelligence on Investment Behavior Across Generations in India”

Dr. Bala Murali S¹, Dr S.P. Deepeka², Mr.Somasundaram T³

Assistant Professor^{1&2}, Department of Business Administration – BBA, DDGD Vaishnav College, Chennai

Assistant Professor³, Department of Management, School of Business and Management, Kristu Jayanti (Deemed to be University) Bengaluru

Abstract

This conceptual review explores the investment pattern in India and generation-wise. It is a way to see into what occurs when all the behavioural finance principles crash into a convergence of digital and AI led ecosystems considering various generations of Indians. The eight separate generational cohorts from Baby Boomers to Gen Z, which are receiving attention and study, and emerging financial tools driven by AI in form of robo-advisors and their acceptance in the Indian market in lieu of changing behavioural biases, are also examined. As for another of its central themes, the paper tackles the significant regulatory implications created by the pervasive application of AI in finance. It deals with data privacy issues, algorithmic bias, corporate ethics, and consumer protection. This review thus contextualizes a significant gap in existing literature by providing a more systematic framework to examine the complex interaction of generational traits, behavioural biases, and digital/AI-driven financial platforms that together influence investment decisions in India. Insights from this will benefit both academic fraternity and practical financial planning.

Keywords: *Behavioural Finance, Changing Investment Trends across Generations, Robo-advisor*

1.Introduction

The purpose of this paper is to conceptually review the changing behaviour of generational investments in India, with growing influence of principles of Behavioural Finance in a fast-growing digital world. In an ever-evolving digitized investment landscape (Baser, 2024), it explores the behaviours across various generational cohorts (from Baby Boomers through to Gen Z) of cognitive biases and emotional heuristics long researched in behavioural finance. More detailed elaboration is provided on the mechanisms through which digital platforms intensify these biases that influence investment decisions and financial outcomes in the Indian context (Shanmugasundaram & Sinha, 2024). This study compares conjectures from classic finance theories assuming rational investor behaviour focused on market fundamentals, against actual behaviour which is affected by psychological aspects of decision-making and developments in economics and political domains (Wei, 2025). This review in particular takes a look at how technologies have influenced the accessibility of information, indicating that while technology facilitates access to a significant amount of information, such complexity can become a challenge for even the most sophisticated investors thus resulting in behaviour to diverge from purely rational models (Weixiang et al., 2022). Other significant changes like the increase of social media platforms in the investment environment bring new horizons to behavioural finance as social interaction is observable and the effects of it on retail investor behaviour can be studied (Akdoğan & Anbar, 2024). In this context, the paper will also highlight significant behavioural biases across these generations and evaluate how digital transformation (e.g., easier access to investment apps and online trading platforms) has worsened/alleviated their effects on financial decisions (Patil, & Gokhale, 2023). So, this review will bring together the existing literature to suggest a conceptual framework of how generational attributes, behavioural biases and digital financial platforms in India may be interlinked to influence investment behaviour.

2.Literature Review

The existing literature shows increasing interest in behavioural finance and technology phenomenon in various emerging economies like India (Liu et al., 2021). Nevertheless, a significant gap stands in the literature specifically examining the impact of such digital transformation on generational investment behaviour and decision-making in these contexts (Zhu et al., 2024). Although some studies have looked into facets of financial literacy and digital adoption, no systematic study has examined how different generational cohorts use digital investment platforms or how their innate behavioural biases are altered or strengthened by these technologies in the Indian context (Kraiwani et al., 2022). We aim to fill this gap with a review which synthesizes a diverse literature to support a conceptual framework capturing these interactions and

their complex manner. Moreover, while the impact of artificial intelligence on financial decision-making is recognized, an in-depth analysis of the extent to which Generative AI uniquely shapes the investment behaviours of various generations in India is lacking in the existing literature, despite its likely potential to personalize financial advice and to facilitate automation of complex and time-consuming tasks **(Raju, 2025) (Joshi, 2025)**.

Hence, this research attempts to fill this critical research gap in India by exploring the impact of Generative AI on generational characteristics and investment behaviours, thus offering a holistic view of changing financial landscapes. Going beyond just the adoption of AI in finance, this conceptual review will examine the perceptions and interaction of various generational cohorts in India with AI-based financial tools with respect to trust, adoption readiness and willingness to pay for AI-based services **(David et al, 2021)**. It encompasses the effect of ethical design, transparency and perceived fairness of AI systems on the adoption and satisfaction of users across different investor demographics **(Goswami, 2024)**. In addition, it aims at understanding if the more advanced AI applications, other than mere prediction of market trends, can not only be able to model but also invalidate the effects of well-documented behavioural biases (like herd mentality or loss aversion) common across generations in the Indian investment ecosystem **(Alfzari et al., 2025)**.

We will also discuss the potential regulatory implications of mass commercial deployment of AI in finance, focusing on data privacy, algorithmic bias, and consumer protection in a rapidly changing digital investing landscape. Generative AI can revolutionize several aspects of investment management, including portfolio construction, risk management, and client servicing **(Joshi, 2025)**. In addition, Generative AI applications are expected to increase operational efficiency in financial institutions in automating repetitive processes freeing up human capital for higher complexity, strategic decision-making **(Joshi, 2025)**.

Nevertheless, despite these rapid progressions, challenges such as data security and the absence of sound regulatory frameworks are a major challenge for the widespread use of Generative AI in finance, especially in developing economies **(Desai et al., 2024) (Chen et al., 2023)**. Thus, appreciating the specific ethical, technical and regulatory implications of the paradigm is fundamental if we are to harness the power of Generative AI safely and effectively, while curbing the dangers **(Chen et al., 2023) (Desai et al., 2024)**. The emergence of AI-powered financial advisors that can benefit the analysis of stocks and enhance professional investor portfolios, making financial advice and portfolio management less costly to the broader public by incorporating advanced analytical and processing functionalities to generate tailored portfolios or provide advisory services **(Kotecha, 2025)**. This transition from mere automation to a more advanced understanding of individual investor profile, risk appetite and long term financial goals facilitated by Generative AI in financial advisory **(Joshi, 2025)**. Using an algorithmic-based process, this personalized perspective can respond to different phases of life and shifts in the marketplace, providing dynamic and real-time relevant financial decision-making **(Sai et al., 2025)**. Additionally, such advanced AI applications can greatly enhance client services via smart chatbots and offer predictive insights into market movement, thereby equipping financial institutions and retail investors **(Desai, Mallya, et al., 2024; Desai, Ravi, et al., 2024; Krause, 2024)**. Generative AI can process and synthesize large volumes of financial information and provide financial products or services that are tailored to the life-cycle needs of different generations of investors **(Chen et al., 2023)**. In particular, the Generative AI techniques can ingest vast amounts of financial data to evaluate market sentiment and news and thus derive better trading strategies, as well as allowing strong advisory applications for financial institutions **(Desai et al, 2024)**. The ability of advanced AI models to learn and adapt continuously provides a distinct advantage over traditional financial models, which are often static in nature, and that can help make for more resilient and responsive investment strategies **(Joshi, 2025)**. Such widespread use of AI across financial operations requires the need for solid regulatory frameworks to regulate potential biases, data privacy, and market stability **(Maple et al., 2023)**. It is therefore, critical to address the ethical concerns especially around algorithm bias and data privacy to build community trust and equitable access to these sophisticated financial tools **(Osedahunsi, 2024)**. AI transforms the financial risk management field, including multidimensional and developing nature of risk factors **(Ikudabo & Kumar, 2024)**. As a result, a comprehensive and well-defined regulatory frameworks and industry standards is critical to enable and encourage innovative AI applications in Finance **(Pillai, 2023)**. While the role of the regulatory framework is to provide limits from misconducts, safeguard the public interest and promote trust in AI systems **(Ridzuan et al., 2024)**, government support and clear regulations are important to remain these technologies as ethical, safe and beneficial to the society. These frameworks need to tread a fine line between enabling innovation while reducing risks, nurturing it, but at the same time ensuring that responsible AI is pursued without hindering technological progress.

Hence, this conceptual review will explore the existing literature from the behavioural finance domain and how AI impacts behavioural finance style of investments in India by amalgamating different studies to convey the overall scope and future direction as well as outline and synthesize several perspectives on an integrated understanding of the present trend.

4. Research gap:

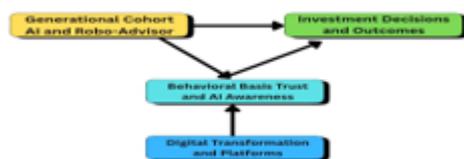
While AI is being integrated rapidly in the global financial markets, there is a lack of study in contemporary times on the impacts of AI on the generational investment behaviours of Indian investors within the unique socioeconomic background across generations and regulatory settings of India. This gap, however, calls for further exploration on how AI-powered financial innovations are perceived, accepted, and used across the age groups that range from digital natives to seniors in a country with an individual variance in financial literacy and investments culture. This review seeks to address this gap by providing a three-dimensional discourse on the intersectionality of AI, generational differences, and investing trends so that it can add value to both academic literature and practical usefulness in financial planning (Alfzari et al., 2025; Goswami, 2024). This study will also evaluate the ethical protections, recommendations, and guidelines needed to promote the ethical implementation and use of AI in finance to ensure that technological progress occurs concurrently with the long-term interests of society at large and the financial system (Goswami, 2024). It will additionally explore the role of AI technologies to increase the efficiency and effectiveness of financial decision making across different demographic segments of Indian investors considering factors like digital literacy and access to technology (Goswami, 2024). Also, the research will study whether robot-advisors in the present context of Indian investor behaviour can help in overcoming behavioural biases, enabling individuals to make more rational financial decisions, thereby bringing a better level of welfare to such individuals, especially with the transfer of the responsibility of retirement savings from government to individuals (Lisauskiene & Darškuvienė, 2021). The present paper fills in this crucial gap by performing a comprehensive systematic review of the state of the art of research on AI, behavioural finance and generational investment trends in the Indian context which all together would unravel the increasingly complex terrain of the ecosystem.

5. Methodology:

For this study, a systematic literature review method was used to synthesize the existing research around the impact of AI on the investment behaviour of the generations in India. This method collected secondary data from journals, conference proceedings, books etc. The data was thematically analyzed to get information regarding recurring trends, gaps, and emerging areas of research related to the impact of AI technologies on financial behaviours and decision-making of investments by people of different ages in India. The systematic review is expected to provide a wholesome synthesis of existing knowledge, and draw focus on the suitability and capability of existing AI technologies to match the financial requirements and complexities of India. AI has great potential to improve decision-making, optimization, and risk management, but it has to be assessed for its use cases and implementation in the Indian scenario. In light of this, the current review aims to critically assess the methods and results from the extant research to understand the existing and possible roles of AI in affecting investment behaviour among different generations in India. Aims and objectives of the study:

1. To study the dynamics of investment behaviour across generations in India in the light of behavioural finance with the recent proliferation of digital platforms and its effect on cognitive bias.
2. To explore the relationship between Generative AI and generation traits and investment behaviours within India anchored by how they adopt and perceive AI-based tools.
3. To examine how robot-advisors could leverage advanced AI applications to counter-age old behavioural biases among generational segments in the Indian investment market.
4. To consider the regulatory repercussions of the widespread deployment of AI in Indian finance, specifically in the context of data privacy, algorithmic bias, ethical issues and consumer protection.

CONCEPTUAL FRAMEWORK



Source: Author's conceptualization

6. Results and Discussion

As the entry of AI into the financial markets of India is a new trend, the unique investment behaviours of every generation differ. These characteristics of the generation and tendencies for digital literacy, financial literacy or literacy mirrors in their choices as investors and also influences their prospects of these digital instruments which are wholly based out of their fingertips to implement.

On the one hand, older generations are sceptical about AI-powered financing models, while on the other, these cleverly engineered hybrids of well-behaved financial administration, low-key suggestions from various advisors over a data connection through intermediate solutions, shall we say vocal bots? they would still at least be suspicious of whether an algorithm was either transparent or trustworthy. At the same time, Millennials points at least somewhat comfortable already with digital technology. Gen Z harness the full potential of AI in their investments.

How each generation's financial literacy is distributed impacts how they will interact with AI-based tools. Unlike Baby Boomers and Generation X, who have greater familiarity with finance, Gen Y's and Gen Z's turn to AI to simplify finance decisions. This responsibility is borne by AI tools like robot-advisors where portfolios and questions pertaining to risk assessment get managed automatically. However, detailed description of what AI may be able to do, in addition to its restrictions and natural threats, may be needed to transfer through generations (**Goswami, 2024**).

One of the major obstacles in adopting AI is, the decision-making of AI is not transparent. Explainable AI(XAI) can solve this issue by providing coherent and comprehensible explanations of AI predictions so that trust can be built with the elder generations too. They not only provide confidence with transparent AI models but also provide the regulatory compliance that is very much needed in a market like India (**Chen & Storchan, 2021**). XAI will play a pivotal role in the accessibility and reliability of AI financial tools for every type of user, including those who are not tech-savvy.

Nevertheless, AI's role in finance raises ethical concerns, especially regarding algorithmic bias, data privacy, etc. Diverse data training is necessary for AI models to not continue inequalities especially for marginalized groups (**Angela & Odewuyi, 2024**). Stronger regulation is required to safeguard equity and transparency along with data security. This is one of the reasons that the coupling of AI and blockchain technology can reduce some of these issues through improved security and transparency in transactions (**Aljunaid et al., 2025**).

AI tools enhance funding reporting through better accuracy, speed, and transparency, (**Antwi et al 2024**). On the other hand, it seems likely that Baby Boomers and Gen X will rely more on transparency in the form of a detailed explanation of how the AI made its recommendations and strong cybersecurity systems to feel comfortable trusting them.

7. Conclusion

This research paper explored the growing investment behaviours of Indian generations influenced by digital transformation. While younger generations embrace AI tools like robo-advisors easily, but the older generations don't rely on them due to AI literacy, trust and transparency issues. AI brings the best personal financial advice, but ethical, technical, and regulatory safeguards are mandatory to make sure responsible adoption across all generations. The financial sector can help create a fair and more open AI ecosystem. Investors will win by inserting a degree of financial literacy, explainable AI, and tackling ethics and regulatory issues; we will have an AI system that, in part, can share with everyone. As AI continues to change and develop, the need for ethical functioning of AI will be crucial to the maintenance of not only the confidence of the investors but equitable financial output as well.

8. Future Directions:

Future research should focus on empirically validating generational differences in AI adoption, exploring the role of explainable AI (XAI) in fostering trust, and developing targeted financial literacy programs. Additionally, studies should address ethical AI frameworks, AI-blockchain integration, and the evolving regulatory landscape to ensure secure, fair, and transparent financial tools for all generations.

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