

Influence of Generative AI-Based Financial Advice on Investment Decision-Making among Young Retail Investors in India

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Abstract

Generative Artificial Intelligence (GenAI) is increasingly being used by individual investors to obtain, understand and process financial information. This study examines the influence of Generative AI-based financial advice on investment decision-making among young retail investors in India using secondary data from recent Indian empirical studies and official regulatory sources. The study focuses particularly on the relationship between Generative AI usage, financial self-efficacy and investment decision quality, while also considering the role of behavioural biases.

The main evidence is drawn from a two-wave longitudinal study of 520 Indian IT-sector employees. The study reported that 78.4% of respondents had used at least one Generative AI tool for financial queries and that 60.2% of respondents were between 18 and 34 years of age. Generative AI usage was positively associated with financial self-efficacy ($\beta = 0.443$, $p < .001$), while financial self-efficacy was positively associated with investment decision quality ($\beta = 0.512$, $p < .001$). A significant direct relationship was also reported between Generative AI usage and investment decision quality ($\beta = 0.374$, $p < .001$). The study further reported a significant indirect relationship through financial self-efficacy ($\beta = 0.227$, $p < .001$). However, overconfidence weakened the positive relationship between AI usage and investment decision quality.

Additional Indian research involving individual investors indicates that AI may help reduce certain behavioural biases such as anchoring and herding, although overconfidence, representativeness and loss aversion remain relevant to investment decisions. Overall, the secondary evidence suggests that Generative AI can positively influence investment decision-making among young Indian investors, particularly by improving access to financial information and supporting financial self-efficacy. However, the benefits are not automatic, and behavioural biases and excessive reliance on AI remain important limitations.

Keywords: Generative Artificial Intelligence, Investment Decision-Making, Retail Investors, Young Investors, Financial Self-Efficacy, Behavioural Bias, India

I. Introduction

Generative Artificial Intelligence (GenAI) is increasingly being used to obtain and process financial information. Applications such as ChatGPT, Google Gemini and Microsoft Copilot can explain financial concepts, summarize financial information, compare investment alternatives and help users conduct investment research.

Unlike traditional online search, GenAI allows investors to interact with financial information through conversational questions and receive structured responses.

This development is especially relevant to young retail investors. Younger investors are increasingly exposed to

digital financial information through online investment platforms, mobile applications and social media. Generative AI provides another information source through which investors can obtain explanations and investment-related information quickly.

The Indian financial environment provides an important setting for studying this development. Recent Indian research has examined the relationship between artificial intelligence, behavioural biases and investment decision-making. Maheshwari et al. (2025), using a sample of 462 individual investors in India, found that AI use was associated with mitigation of anchoring and herding biases, although overconfidence, representativeness and loss aversion remained relevant to investment decisions.

More directly related to Generative AI, Shah and Parashar (2025) examined 520 Indian IT-sector employees through a two-wave longitudinal panel study. The research measured Generative AI usage, financial self-efficacy, behavioural biases and investment decision quality. The study reported significant relationships between GenAI usage, financial self-efficacy and investment decision quality.

The sample is particularly relevant to young investors. Of the 520 respondents, 47 were aged 18–24 and 266 were aged 25–34. Thus, 313 respondents, or 60.2%, were aged 18–34. The study also reported that 78.4% of respondents had used at least one Generative AI tool for financial queries.

Another Indian study published in 2026 examined 457 Gen-Z investors and investigated behavioural biases and AI-led digital advisory services. The study found significant relationships between behavioural biases and investment decision-making and reported that AI-enabled digital advisory services moderated some of these relationships.

The Indian regulatory environment is also responding to the growing use of AI in investment services. SEBI's January 2025 Guidelines for Investment Advisers state that advisers using AI tools remain responsible for client-data security, confidentiality and integrity, and for investment advice based on AI outputs. Advisers must also disclose the extent of AI use to clients.

Therefore, this research examines the influence of Generative AI-based financial advice on investment decision-making among young retail investors in India, using existing Indian empirical evidence.

II. Problem Statement

Generative AI has made financial information easier to access. A young investor can use an AI tool to understand a company, interpret financial information, compare investment alternatives or obtain an explanation of an investment concept within seconds.

This accessibility can be beneficial because it may reduce the time and effort required to process financial information. However, access to information does not automatically guarantee better investment decisions. AI-generated information can be misunderstood, investors may place excessive trust in AI outputs, and behavioural biases may continue to affect decision-making.

The problem is particularly relevant for young Indian investors because the available Indian evidence shows substantial use of AI and digital financial tools. In the 520-person Indian GenAI study, 78.4% of respondents reported using at least one GenAI tool for financial queries and 60.2% were between 18 and 34 years old.

The same study found a statistically significant positive relationship between GenAI usage and financial self-efficacy and between financial self-efficacy and investment decision quality. However, the study also found that overconfidence weakened the positive relationship between AI usage and investment decision quality.

The central problem addressed by this research is therefore:

To examine whether the use of Generative AI-based financial information is associated with improved investment decision-making among young Indian investors and to understand the role of financial self-efficacy and behavioural biases in this relationship.

III. Research Objectives

Main Objective

To examine the influence of Generative AI-based financial advice on investment decision-making among young retail investors in India.

Specific Objectives

1. To examine the extent of Generative AI usage for financial and investment-related information among young Indian investors.
2. To examine the relationship between Generative AI usage and investment decision-making.
3. To examine the role of financial self-efficacy in the relationship between GenAI usage and investment decision quality.

4. To examine the influence of behavioural biases on investment decisions when investors use AI-based financial information.
5. To identify the major benefits and limitations associated with Generative AI-based financial advice for young Indian investors.

IV. Literature Review

4.1 Generative AI and Investment Decision-Making in India

Shah and Parashar (2025) provide the most directly relevant Indian evidence for this research. Their study examined the influence of Generative AI usage on investment decision quality among 520 Indian IT-sector employees. Data were collected in two waves, with the first wave conducted in January–February 2025 and the second in July–August 2025. The study used a longitudinal panel design and examined GenAI usage, financial self-efficacy, overconfidence, loss aversion and investment decision quality.

The study reported that GenAI usage frequency significantly enhanced financial self-efficacy ($\beta = 0.443$, $p < .001$), while financial self-efficacy significantly improved investment decision quality ($\beta = 0.512$, $p < .001$). The study also reported a significant direct relationship between GenAI usage and investment decision quality.

These findings suggest that GenAI may influence investment decisions through both information support and increased confidence in handling financial decisions.

4.2 Young Indian Investors and AI Use

The demographic composition of the Shah and Parashar study is important for research on young investors. The 18–24 and 25–34 age groups together accounted for 60.2% of the 520 respondents. The study also reported that 78.4% of respondents used at least one GenAI tool for financial queries.

Among the tools used, ChatGPT accounted for 42.1%, Google Gemini for 31.3%, Microsoft Copilot for 18.7%, and other or multiple tools for 7.9%.

This indicates that GenAI was already being used for financial purposes by a substantial share of the Indian respondents studied.

4.3 Financial Self-Efficacy and Investment Decisions

Financial self-efficacy refers to an individual's confidence in their ability to understand and manage financial decisions.

The Indian GenAI study found a statistically significant relationship between GenAI usage and financial self-efficacy ($\beta = 0.443$, $p < .001$). It also found a significant relationship between financial self-efficacy and investment decision quality ($\beta = 0.512$, $p < .001$).

This provides a logical pathway:

GenAI Usage → Financial Self-Efficacy → Investment Decision Quality

Thus, GenAI may influence investment decision-making not only by supplying information but also by helping investors feel more capable of understanding financial decisions.

4.4 AI and Behavioural Biases

Maheshwari et al. (2025) studied 462 individual investors in India and examined anchoring, representativeness, overconfidence, loss aversion and herding. Their study found that AI use was associated with mitigation of anchoring and herding, while overconfidence, representativeness and loss aversion remained relevant.

The findings suggest that AI should not be viewed as a complete solution to behavioural biases. Investors' psychological characteristics can continue to influence their decisions even when AI-based financial information is available.

4.5 AI and Gen-Z Investors in India

A 2026 study of 457 Gen-Z investors in India examined overconfidence, fear of missing out, herding and regret aversion together with AI-led adoption of digital advisory services. The study found significant relationships between behavioural biases and investment decision-making and found moderation effects involving fear of missing out and herding.

This study is relevant to the present research because it focuses specifically on a young Indian investor population, although it examines AI-enabled digital advisory services more broadly than Generative AI alone.

4.6 Research Gap

The existing Indian literature suggests that AI is becoming relevant to investment decision-making, but the research is still developing.

One study directly examines Generative AI and investment decision quality, but its respondents are Indian IT-sector employees. Another study focuses on individual investors and behavioural biases, while a more recent study focuses on Gen-Z investors and digital advisory services.

Therefore, there is a need to bring these findings together and examine the specific influence of Generative AI on the investment decision-making of young Indian investors.

V. Methodology

5.1 Research Design

This research uses a secondary-data research design.

No primary survey or interview was conducted. The study uses previously published Indian empirical research and official Indian regulatory information.

5.2 Data Sources

The main sources are:

Shah and Parashar (2025): 520 Indian IT-sector employees, two-wave longitudinal study of Generative AI usage, financial self-efficacy and investment decision quality.

Maheshwari et al. (2025): 462 Indian individual investors studying AI and behavioural biases.

2026 Gen-Z study: 457 Indian Gen-Z investors studying behavioural biases and AI-led digital advisory services.

SEBI Investor Survey 2025: official Indian investor research used as contextual evidence regarding the Indian investment environment. The main survey contained 53,357 respondents, including 21,184 investor households and 32,173 non-investor households.

SEBI Guidelines for Investment Advisers (2025): used to understand the regulatory context surrounding AI-based investment advice.

5.3 Population and Scope

The study focuses on young retail investors in India. For analysis, the young-investor group is taken primarily as the 18–34 age group because this is the age classification available in the main Indian GenAI study.

However, because the principal sample consists of IT-sector employees, the findings should not be treated as a nationally representative estimate for all young Indian investors.

5.4 Variables

The main variables are:

Generative AI Usage – use and frequency of GenAI tools for financial queries.

Financial Self-Efficacy – confidence in one's ability to manage financial decisions.

Investment Decision Quality – the quality of investment decisions measured by the original study.

Behavioural Biases – particularly overconfidence, anchoring, herding, loss aversion and representativeness.

5.5 Method of Analysis

The study uses simple comparative secondary-data analysis. The analysis focuses on:

respondent profile;
level of GenAI usage;
change between Wave 1 and Wave 2;
reported statistical relationships;
role of financial self-efficacy; and
behavioural-bias findings.

The published coefficients are reported as findings from the original studies rather than as newly estimated statistics by the present researcher.

Analysis & Findings

6.1 Profile of Young Respondents

The main Indian GenAI study included 520 respondents.

Age Group	Respondents	Percentage
18–24	47	9.0%
25–34	266	51.2%
35–44	148	28.5%
45+	59	11.3%
Total	520	100%

The combined 18–34 group consisted of **313 respondents, or 60.2% of the sample.**

This is important for the present research because the majority of the principal study sample falls within the young-investor age group used in this paper.

6.2 Generative AI Usage

The study reported that **78.4% of respondents had used at least one Generative AI tool for financial queries.**

The most commonly used tools were:

GenAI Tool	Percentage
ChatGPT	42.1%
Google Gemini	31.3%
Microsoft Copilot	18.7%
Other/Multiple	7.9%

ChatGPT was therefore the most commonly reported Generative AI tool in the study.

6.3 Change in GenAI Usage and Investment Decision Quality

Because the Indian study used two waves, it allows a simple comparison over time.

Variable	Wave 1	Wave 2	Change
GenAI Usage	4.71	4.98	+0.27
Financial Self-Efficacy	4.42	4.69	+0.27
Investment Decision Quality	3.89	4.21	+0.32
Overconfidence Bias	4.88	4.61	−0.27
Loss Aversion	4.62	4.44	−0.18

The original study used seven-point scales.

The most important pattern is:

GenAI Usage increased by 0.27 points, while Investment Decision Quality increased by 0.32 points. Financial self-efficacy also increased by 0.27 points during the same period.

These are descriptive changes, not proof that GenAI alone caused the changes. However, they provide useful longitudinal evidence that higher GenAI use and higher reported investment decision quality occurred together in the studied Indian sample.

6.4 Influence of GenAI on Financial Self-Efficacy

The published structural model reported:

GenAI Usage → Financial Self-Efficacy: $\beta = 0.443$, $p < .001$

This is a positive and statistically significant relationship. In simple terms, respondents who reported greater GenAI usage also reported greater confidence in their ability to manage financial decisions.

The model explained **48.9% of the variance in financial self-efficacy.**

6.5 Influence of Financial Self-Efficacy on Investment Decision Quality

The study reported:

Financial Self-Efficacy → Investment Decision Quality: $\beta = 0.512$, $p < .001$

This was also statistically significant.

This indicates that investors with higher financial self-efficacy tended to report better investment decision quality.

This creates the following relationship:

GenAI Usage

↓

Financial Self-Efficacy

↓

Investment Decision Quality

6.6 Direct Influence of GenAI on Investment Decision Quality

The most important finding for the present research is the reported direct effect:

GenAI Usage → Investment Decision Quality: $\beta = 0.374$, $p < .001$

The relationship was positive and statistically significant. Therefore, the available Indian evidence indicates that greater use of Generative AI was associated with higher investment decision quality in the studied sample.

This directly supports the main objective of the present research.

6.7 Indirect Influence Through Financial Self-Efficacy

The study also reported:

GenAI Usage → Financial Self-Efficacy → Investment Decision Quality: $\beta = 0.227$, $p < .001$

The original authors reported this as a significant partial mediation effect.

This means that GenAI's influence on investment decision quality appears to operate through two routes:

Direct route

GenAI Usage → Investment Decision Quality

Indirect route

GenAI Usage → Financial Self-Efficacy → Investment Decision Quality

This is one of the strongest findings in the Indian evidence because it explains **how** GenAI may influence investment decisions rather than only showing that the two variables are related.

6.8 Role of Overconfidence

The study reported a significant moderating effect of overconfidence:

$$\beta = -0.281, p < .01$$

The negative coefficient means that higher overconfidence weakened the positive AI–decision-quality relationship.

This is an important qualification.

It means that:

Using more AI does not automatically guarantee a better investment decision.

An investor may receive useful information from AI but still make poor decisions if excessive confidence leads the investor to overestimate their own judgement.

6.9 Evidence from Other Indian Investors

The findings from the 462-investor Indian study provide additional support.

AI use was associated with mitigation of **anchoring and herding**, but **overconfidence, representativeness and loss aversion** remained relevant to investment decision-making.

The evidence from the 457 Gen-Z investor study similarly shows that behavioural biases remain important among young Indian investors. AI-enabled digital advisory services moderated some relationships, particularly those involving fear of missing out and herding.

Therefore, the influence of AI is not uniformly positive. Its effect depends partly on the investor's psychological characteristics.

6.10 Overall Findings

Finding	Evidence
Young respondents aged 18–34	60.2%
Used GenAI for financial queries	78.4%
GenAI Usage → Financial Self-Efficacy	$\beta = 0.443, p < .001$
Financial Self-Efficacy → Decision Quality	$\beta = 0.512, p < .001$
GenAI Usage → Decision Quality	$\beta = 0.374, p < .001$
Indirect GenAI → FSE → Decision Quality	$\beta = 0.227, p < .001$
Overconfidence moderation	$\beta = -0.281, p < .01$
GenAI usage change	4.71 → 4.98
Decision quality change	3.89 → 4.21

These results show a consistent pattern:

Higher GenAI Usage → Higher Financial Self-Efficacy → Better Investment Decision Quality

At the same time:

Higher Overconfidence → Weaker positive AI–Decision relationship

Thus, GenAI appears to have a positive influence, but the influence is conditional rather than automatic.

VII. Conclusion

This study examined the influence of Generative AI-based financial advice on investment decision-making among young retail investors in India using secondary data from Indian empirical studies and official Indian sources.

The evidence indicates that Generative AI is already being used for financial purposes by a substantial share of the Indian sample examined. In the main study of 520 Indian IT-sector employees, **78.4%** had used at least one Generative AI tool for financial queries, while **60.2%** were aged 18–34. ChatGPT was the most frequently reported tool.

The strongest evidence concerns the relationship between GenAI usage and investment decision quality. GenAI usage was positively associated with financial self-efficacy ($\beta = 0.443, p < .001$), financial self-efficacy was positively associated with investment decision quality ($\beta = 0.512, p < .001$), and GenAI usage itself had a significant positive relationship with investment decision quality ($\beta = 0.374, p < .001$).

The significant indirect effect ($\beta = 0.227, p < .001$) indicates that part of the influence operates through financial self-efficacy. This suggests that GenAI may help investors not only by providing financial information but also by improving their confidence in dealing with financial decisions.

The two-wave results provide additional descriptive evidence. GenAI usage increased from **4.71 to 4.98**, financial self-efficacy increased from **4.42 to 4.69**, and investment decision quality increased from **3.89 to 4.21**. These changes occurred over the same study period, although they should not be interpreted as proof that GenAI alone caused the improvement.

The behavioural findings provide an important qualification. Overconfidence weakened the positive AI–decision-quality relationship, while other Indian research indicates that AI may reduce some biases such as anchoring and herding but does not eliminate overconfidence, representativeness or loss aversion.

Therefore, the overall conclusion is:

Generative AI has a positive influence on investment decision-making in the available Indian evidence, particularly through financial self-efficacy and improved investment decision quality. However, the

benefit is not automatic because behavioural biases can weaken the relationship.

For young Indian retail investors, GenAI should therefore be viewed primarily as a **decision-support tool**. It can make financial information easier to access and understand, but investors should not treat AI-generated information as automatically correct or as a substitute for independent financial judgement.

The findings also have implications for financial education. Young investors need both financial knowledge and the ability to critically evaluate AI-generated information. Financial institutions and investment advisers should maintain transparency concerning AI usage and ensure that investors understand the limitations of AI-generated outputs.

SEBI's 2025 guidelines are relevant in this regard because regulated investment advisers using AI remain responsible for client data and for advice based on AI outputs and must disclose the extent of AI use to clients. The main limitation of this study is that the available Indian evidence does not come from one nationally representative dataset specifically covering all young retail investors and all the variables considered in this research. The principal GenAI study uses Indian IT-sector employees, while the other studies examine broader Indian investor groups.

Nevertheless, the evidence provides a clear and useful conclusion for the present research: **Generative AI is becoming an important influence on how young Indian investors process financial information and make investment decisions, but the quality of the final decision still depends on financial self-efficacy, investor judgement and behavioural biases.**

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