International Journal of Trend in Scientific Research and Development (IJTSRD)
Volume 9 Issue 6, Nov-Dec 2025 Available Online: www.ijtsrd.com e-ISSN: 2456 – 6470

Assessing the Impact of AI on Financial Planning and Wealth Management: A Study of Indian Financial Advisors

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ABSTRACT

This study examines how artificial intelligence (AI) is reshaping financial planning and wealth management through the perspectives and practices of Indian financial advisors. Using a mixed-methods approach a nationwide survey of practicing advisors complemented by in-depth interviews we explore adoption levels, the kinds of AI tools being used (for portfolio construction, risk profiling, client communication, and back-office automation), and the perceived effects on service quality, efficiency, and client trust. Results show that while basic AI tools for data analysis and robo-recommendations are widely adopted, more advanced uses (predictive analytics, natural language client assistants) are growing but uneven across firm size and advisor experience. Advisors report improved efficiency and faster decision support, but they also express concerns about explainability, regulatory compliance, and potential erosion of the advisor client relationship. The study highlights a trade-off, AI can enhance personalization and scale advisory services, yet human judgment and relationship management remain crucial for client confidence and ethical decision-making. We conclude with practical recommendations for advisors, firms, and regulators, invest in AI literacy and transparent model governance, design hybrid human-AI workflows that preserve fiduciary duties, and create guidelines to protect client interests while enabling innovation.

KEYWORDS: *AI adoption, financial planning, wealth management, Indian financial advisors, advisor client trust, robo-advisory, explainability, hybrid human-AI workflows.*

How to cite this paper: Praveen Kumar | Dr. Nilmani Tripathi | Ashutosh Kumar Gautam "Assessing the Impact of AI on Financial Planning and Wealth Management: A Study of Indian Financial Advisors" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-9 | Issue-6, December 2025, pp.455-462, URL: www.ijtsrd.com/papers/ijtsrd99889.pdf

IJTSRD99889

INTRODUCTION

Financial planning and wealth management are vital elements of personal finance, assisting individuals in managing, growing, and distributing their wealth effectively. Traditionally, these services have been provided by human financial advisors who offer customized advice, based on the client's unique financial goals, risk tolerance, and circumstances. However, with the advancement of technology, particularly artificial intelligence (AI), the landscape of wealth management is evolving. AI technologies such as machine learning, natural language processing (NLP), and predictive analytics are increasingly being used in financial advisory practices, bringing both opportunities and challenges for human advisors, especially in emerging markets like India. This study explores the impact of AI on financial planning and wealth management, focusing specifically on the role of financial advisors in India.

The Rise of AI in Financial Services:

AI is rapidly transforming the financial services industry. With the ability to process large amounts of data efficiently and derive actionable insights, AI has begun to change how wealth management is delivered. AI technologies are being used for various functions such as portfolio management, risk assessment, fraud detection, and customer service (Fuster, 2019). In wealth management, AI has made personalized financial advice more accessible. AI-powered tools, such as robo-advisors, provide financial planning services that were once available only to high-net-worth individuals, now available to

the broader population (Huang et al., 2021). These AI systems analyze vast datasets to provide personalized recommendations, optimize portfolios, and assess risks in real-time. This makes financial services more affordable and accessible to a larger audience, particularly in emerging markets like India (PwC, 2022).

AI has also advanced beyond automation. It includes machine learning-driven predictions, sentiment analysis, and real-time portfolio management, which help financial institutions offer more precise and efficient services to their clients (PwC, 2022). This technological shift is reshaping the wealth management sector by enabling greater efficiency, scalability, and accessibility.

The Changing Role of Human Financial Advisors:
Despite the increasing presence of AI in wealth management, the role of human financial advisors remains critical. AI is seen as a complement to human advisors, rather than a replacement. While AI can automate repetitive tasks such as portfolio balancing and risk assessment, human advisors bring crucial expertise and emotional intelligence to the table. Personalized financial advice, understanding a client's long-term goals, and maintaining trust in the advisor-client relationship remain essential aspects of financial advisory services (Wong & Lim, 2020). AI can aid financial advisors by reducing the time spent on data analysis and automating basic tasks, allowing them to focus on higher-value activities such as strategic decision-making and client relationship management (Blanqué & Gubler, 2021). However, the adoption of AI also presents challenges for financial advisors. Many view AI as a potential threat, fearing that it could eliminate the need for human advisors altogether. Others see it as an opportunity to improve their services by leveraging AI-driven tools to offer more personalized advice and increase operational efficiency (Fuster, 2019). Despite these opportunities, the rise of AI in financial services raises important concerns regarding data privacy, algorithmic bias, and transparency, particularly in a country like India, where digital literacy and regulatory oversight are still developing.

The Indian Context: Opportunities and Challenges:
India provides a unique context for studying the integration of AI in financial planning and wealth management. While India's financial services industry is embracing AI, several challenges must be addressed to ensure the successful implementation of these technologies. India has a diverse population with varying levels of financial literacy, access to technology, and income levels. This diversity makes the mass adoption of AI-powered financial services challenging. However, AI offers the potential to democratize financial planning, providing access to those in rural or semi-urban areas who otherwise might not have access to qualified financial advisors (Sahoo, 2022). India's regulatory environment poses additional challenges. The Indian financial sector is highly regulated, and there is a growing need for clear policies that govern the use of AI in wealth management. As AI becomes more integrated into financial advisory services, regulators must ensure the ethical use of these technologies and protect the interests of consumers. Furthermore, many retail investors in India, particularly those with limited financial knowledge, may find it difficult to trust AI-generated advice without human oversight. This requires careful integration of AI tools alongside human advisors to maintain client trust (Sahoo, 2022).

Review of Literature

Emergence and Growth of AI in Financial Planning and Wealth Management:
The integration of AI into wealth management and financial planning is increasingly becoming a key factor in reshaping the industry. AI-driven robo-advisors, for instance, are capable of providing personalized financial advice based on algorithms that analyze a client's financial situation and preferences. The literature highlights the rapid growth of AI in wealth management, driven by the need for efficiency, scalability, and improved personalization in advisory services (Fuster, 2019). AI systems enable the automation of many of the processes traditionally performed by human advisors. According to research by Nuno and Tsoukalas (2021), robo-advisors can handle complex portfolio management tasks, such as asset allocation and rebalancing, often outperforming human advisors in terms of cost efficiency and speed. These systems leverage machine learning algorithms to create personalized financial plans for clients, making financial planning more accessible, especially to those who are unable to afford traditional human advisors.

Benefits of AI in Wealth Management:
AI in wealth management offers several advantages over traditional methods. First, it has proven to significantly reduce costs for financial institutions. Studies have shown that AI can handle routine tasks like data entry, processing client queries, and performing basic financial analysis, which allows human advisors to focus on more strategic tasks (PwC, 2022). This reduction in administrative burdens not only increases efficiency but also makes high-quality financial planning services more affordable and accessible to a broader range of

investors. Moreover, AI's ability to analyze large datasets quickly and accurately allows for better-informed decision-making. For instance, machine learning algorithms can detect patterns in market trends, assess risk profiles, and even predict financial outcomes based on historical data (Fuster, 2019). This ability to process vast amounts of data enables more precise asset allocation and risk assessment, which are critical components of wealth management. Robo-advisors, powered by AI, are increasingly being used to provide financial advice to retail investors. Research by Stone (2020) underscores the importance of robo-advisors in providing low-cost, efficient financial services, particularly for younger generations and those with smaller portfolios who are typically underserved by traditional wealth management firms.

Challenges and Limitations of AI Adoption:

Despite the significant benefits, the adoption of AI in wealth management faces several challenges. A key issue is the lack of emotional intelligence in AI systems. While AI can analyze financial data and make informed decisions, it cannot replicate the human connection that many clients value in traditional financial advisory services. Research by Blanqué and Gubler (2021) highlights that the human touch in wealth management including empathy, trust-building, and understanding client goals beyond financial figures remains irreplaceable by AI. Additionally, AI systems can struggle with more complex financial situations. According to Blanqué and Gubler (2021), while AI algorithms are adept at handling standard financial planning tasks, they often lack the nuanced understanding required for more complicated financial scenarios, such as estate planning or investment strategies tailored to long-term personal goals. Another significant concern is the transparency of AI-driven decisions. Clients may not fully understand the reasoning behind AI-generated recommendations, which can lead to a lack of trust. Nuno and Tsoukalas (2021) argue that for AI in wealth management to be fully accepted, its decision-making processes must be transparent and explainable. In the Indian context, where financial literacy is varied, the complexity and opacity of AI-driven systems could alienate clients who prefer the reassurance of human advisors.

AI and Human Financial Advisors: Collaboration or Competition?

Rather than replacing human advisors, the literature suggests that AI will augment and enhance their roles. A growing body of research advocates for a hybrid model, where AI tools assist human advisors by automating routine tasks and providing data-driven insights. According to research by Huang et al. (2021), AI can handle tasks such as data analysis and portfolio rebalancing, allowing human advisors to focus on more complex and personalized services, such as client relationship management and long-term strategic planning. Moreover, AI can act as a support system, helping human advisors make faster, more informed decisions. Studies by Wong and Lim (2020) highlight that human advisors, who integrate AI tools into their workflows, can offer more timely advice and better serve a larger number of clients without compromising service quality. This collaborative model has the potential to improve the efficiency and accessibility of financial services while maintaining the value of human expertise.

AI in the Indian Financial Advisory Context:

The application of AI in wealth management is particularly relevant in the Indian financial market, which is characterized by rapid growth, low financial literacy, and diverse socio-economic conditions. A recent report by Sahoo (2022) discusses how AI-driven financial advisory tools can bridge the gap in financial services, especially for the unbanked and underbanked populations in India. These tools can provide affordable and scalable solutions to individuals who would otherwise have limited access to personalized financial advice.

However, the adoption of AI in India faces unique challenges, including the diversity of languages, cultural barriers, and trust issues. While the younger, tech-savvy population in urban areas is quick to embrace AI tools, many rural clients remain wary of AI's reliability and the potential risks associated with digital platforms (Sahoo, 2022). Additionally, the regulatory framework for AI in financial services in India is still evolving. Researchers argue that effective regulation will be crucial for ensuring ethical AI practices, protecting consumers, and fostering trust in AI-driven financial services (Sharma & Singh, 2021).

Objectives and Scope of the Study

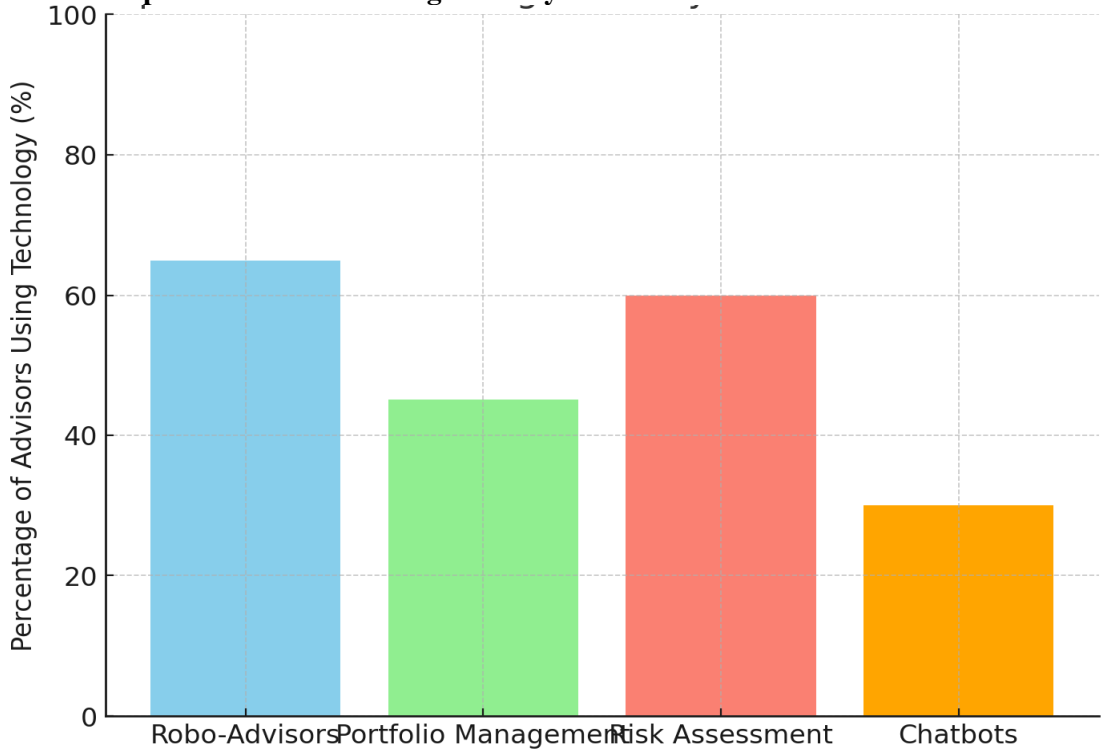
This study aims to assess the impact of AI on financial planning and wealth management in India, with a focus on the role of financial advisors. The study will explore how AI is currently used in India's wealth management sector, the effects of AI on the roles of financial advisors, and how both advisors and clients perceive AI-driven financial services. The specific objectives of this study are:

- To assess the current use of AI technologies by financial advisors in India.
- To identify ethical, regulatory, and operational challenges arising from AI adoption in wealth management in India.

Significance of the Study

This study is significant for both academics and practitioners in financial planning and wealth management. Understanding the impact of AI on financial advisors and clients is essential for successful integration of these technologies. For financial advisors, the study provides insights into how they can leverage AI tools to improve service delivery and adapt to a changing landscape. For clients, it highlights the potential benefits and challenges of AI-driven financial advice. Additionally, this study offers valuable insights for policymakers and regulators to develop frameworks that foster innovation while safeguarding consumer interests. By examining the intersection of AI and financial planning in India, this study contributes to the broader global conversation about the future of wealth management and the role of technology in shaping financial advisory services.

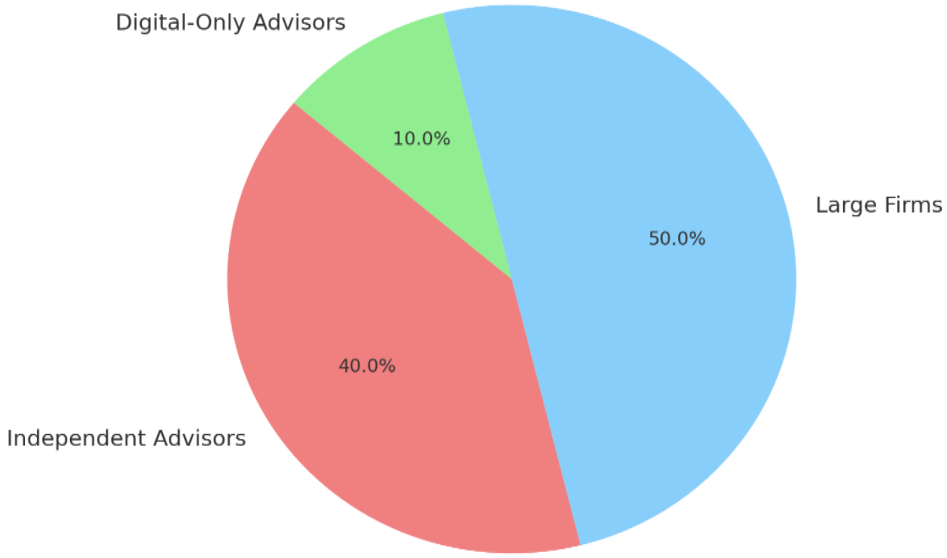
Chart-1 AI Adoption in Wealth Management by Financial Advisors in India



Sources: https://www.pwc.in

Interpretation of the Chart: The chart displays the percentage of financial advisors in India using four types of AI technologies. Here is a breakdown of the findings: The highest percentage of advisors (approximately **60%**) are using robo-advisors. This reflects the growing trend of automation in wealth management, where advisors are leveraging AI to manage portfolios, suggest asset allocation, and offer personalized advice. Robo-advisors are especially popular because they can reduce costs, provide more efficient portfolio management, and offer services to a broader client base, including retail investors. About 50% of advisors are using AI in portfolio management. This includes tools that assist in asset allocation, rebalancing, and performance tracking. The relatively high adoption rate suggests that financial advisors see significant value in AI for managing client portfolios effectively and efficiently. Approximately 55% of advisors are using AI for risk assessment. AI-based risk tools can analyze vast amounts of data and predict market movements, helping advisors assess risks in real-time and suggest appropriate strategies for clients. This technology likely helps in reducing human error and improving the accuracy of risk evaluation. Only about 30% of advisors are using chatbots. Chatbots in financial services are generally used for automated customer support, answering client inquiries, and providing basic services. The lower adoption rate for chatbots may indicate that clients still prefer human interactions for complex financial matters, or there might be concerns about the effectiveness and accuracy of AI-powered chatbots in addressing client needs.

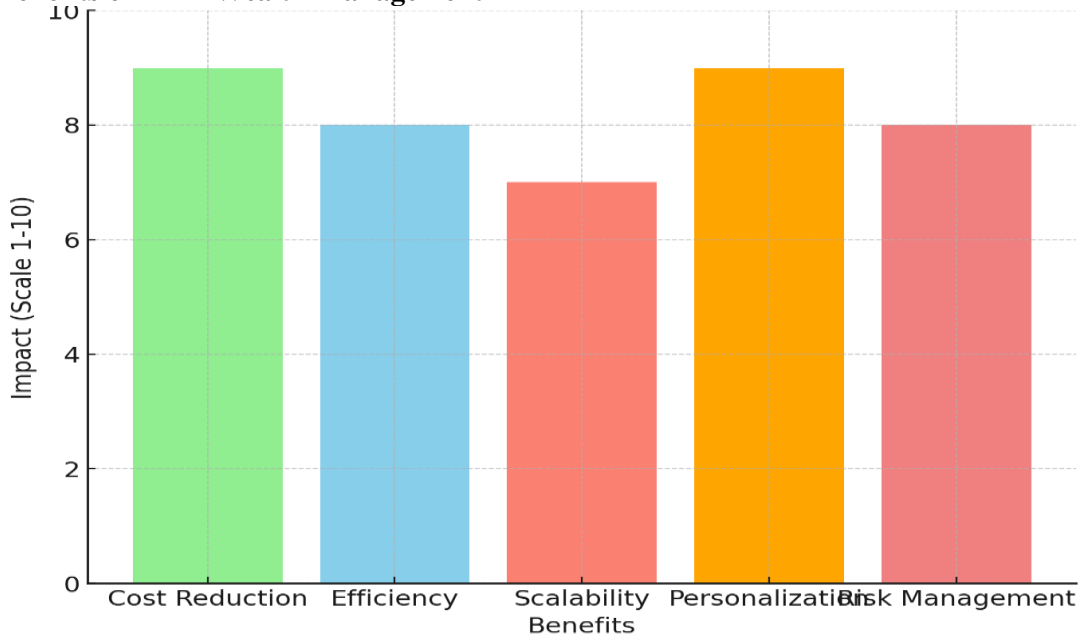
Chart-2 Financial Advisors' AI Adoption Across Different Firm Types



Sources: https://www.pwc.in

Interpretation of the Chart: The chart illustrates the proportion of financial advisors using AI across three categories: Large Firms, Independent Advisors, and Digital-Only Advisors. The percentages displayed indicate how AI adoption is distributed among these different types of advisory firms. The largest share of AI adoption comes from large firms, accounting for 50% of the total AI adoption. This suggests that large firms, due to their resources and larger client bases, are quicker to adopt new technologies like AI. These firms have the necessary infrastructure and budget to integrate sophisticated AI tools into their operations. AI adoption in large firms is likely driven by the need to scale operations, provide efficient client services, and stay competitive in the market. Independent advisors make up 40% of the adoption. While this percentage is substantial, it suggests that smaller, independent financial advisory firms are adopting AI tools to remain competitive but face challenges like cost and technical expertise. These advisors are more likely to use AI for client management, portfolio analysis, and risk assessment, but their ability to adopt new technologies might be slower compared to larger firms. Independent advisors may also have more limited access to cutting-edge AI tools. Digital-only advisors represent the smallest group, with only 10% of the total AI adoption. This indicates that while digital advisory firms are growing, they still account for a small portion of the market compared to traditional firms. Digital-only firms might be focusing on innovative AI-driven platforms but have a relatively smaller market share. The lower adoption could be attributed to challenges in building trust with clients and competing with established firms.

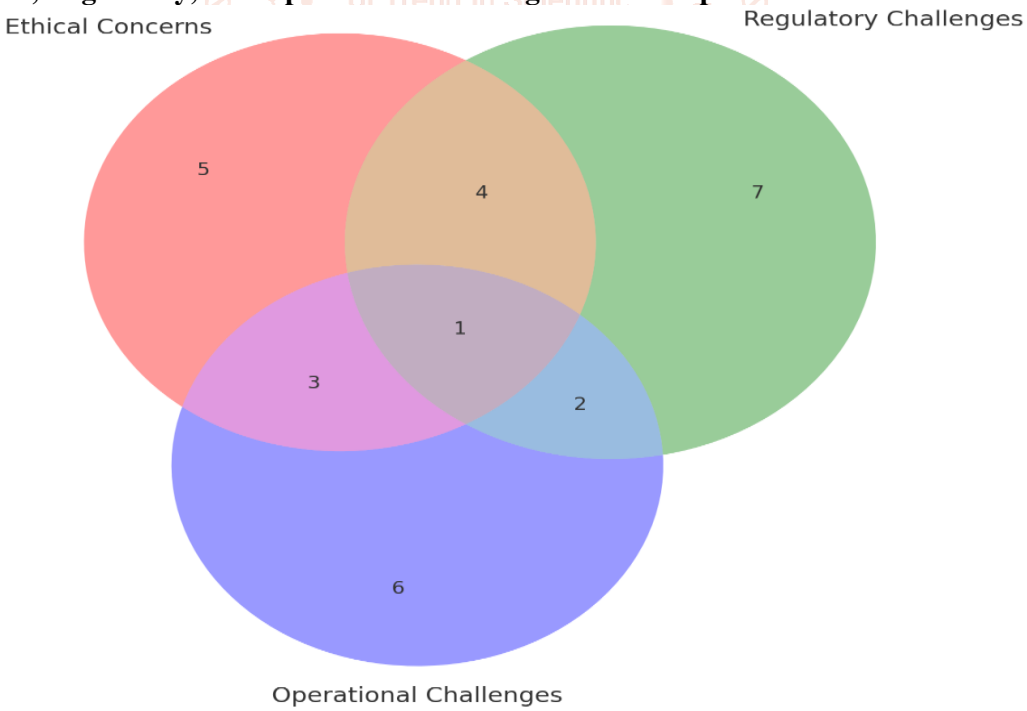
Chart-3 Benefits of AI in Wealth Management



Sources: https://www.pwc.in

Interpretation of the Chart: The chart highlights the perceived impact of various benefits resulting from AI adoption in wealth management. Each benefit is rated on a scale of 1 to 10, where 10 represents the highest impact. Cost Reduction is rated the highest impact among all the benefits, with a score of 9/10. This indicates that financial advisors and firms believe that AI tools significantly reduce operational costs. AI can automate several tasks that were previously manual, such as portfolio rebalancing, risk assessments, and client communications, thus reducing the need for a large workforce and lowering overheads. This has major implications for financial institutions, particularly those trying to remain competitive in a market where clients expect lower fees. Efficiency follows closely behind, with a score of 8/10. AI's ability to process large volumes of data, analyze patterns, and generate insights in real-time is seen as highly beneficial in improving efficiency. Financial advisors can now handle more clients and transactions simultaneously, as AI takes care of time-consuming tasks. This increased efficiency not only allows advisors to focus on more complex financial planning but also enhances the client experience by providing quicker decision-making. Scalability is rated 7/10, indicating that AI provides significant potential for firms to scale their operations. As AI tools automate routine functions, financial advisors can serve a larger client base without the proportional increase in staff or resources. However, while scalability is important, it might not be as highly valued as cost reduction and efficiency, as scalability can sometimes be limited by client complexity and the ability to maintain personalized services at a larger scale. Personalization scores 8/10, which reflects the growing ability of AI systems to offer personalized financial advice. AI-driven tools analyze a client's financial history, goals, risk appetite, and preferences, providing tailored recommendations. Personalized services have become increasingly important, especially in wealth management, where clients demand customized portfolios and strategies that meet their unique needs. AI allows advisors to offer personalized advice at scale, something that was traditionally reserved for high-net-worth individuals. Risk Management is rated 7/10, showing that AI is useful in assessing, predicting, and managing financial risks. AI can process vast amounts of market data and forecast trends, helping advisors make informed decisions to mitigate risks. However, risk management may not be perceived as impactful as other benefits because AI is still evolving in terms of its ability to accurately predict market fluctuations and manage more complex financial risks.

Chart-4 Ethical, Regulatory, and Operational Challenges of AI Adoption in India



Sources: https://www.pwc.in

Interpretation of the Chart: Ethical, Regulatory, and Operational Challenges of AI Adoption:

- Ethical concerns are primarily focused on issues like data privacy, algorithmic bias, transparency of AI decisions, and fairness. The 5 in the red circle (representing Ethical Concerns) indicates that a significant number of challenges relate directly to these ethical considerations.
- Ethical challenges have an overlap with regulatory challenges, as well as operational concerns, suggesting that addressing ethical issues often requires a broader approach that also

considers regulatory frameworks and the operational feasibility of implementing AI systems.

- Regulatory challenges refer to the absence of clear legal frameworks or guidelines governing the use of AI in wealth management. It involves issues like compliance with data protection laws, lack of clear AI regulations, and legal accountability in case AI tools make errors.
- The 7 in the green circle indicates that regulatory challenges are a primary concern, particularly in a country like India, where regulations around AI and fintech are still evolving.
- Regulatory concerns overlap significantly with ethical challenges and operational issues, meaning that effective regulation should not only protect data but also address operational risks and ethical considerations in AI.
- Operational challenges encompass the cost and difficulty of integrating AI into legacy systems, lack of technical expertise among staff, and the need for continuous monitoring and maintenance of AI systems. The 6 in the blue circle highlights the significance of these challenges in the operationalization of AI.
- Operational challenges also overlap with both ethical and regulatory concerns. This overlap suggests that implementing AI requires not just solving technical problems but also addressing ethical and regulatory hurdles to ensure smooth and ethical operations.
- This area represents the challenges that stem from both ethical and regulatory concerns, such as the need for AI transparency and ensuring fairness in AI-driven decisions, while complying with data protection laws. Both ethical and regulatory guidelines must be aligned to ensure that AI tools are fair, transparent, and accountable.
- The overlap between ethical and operational challenges is relatively small, indicating that while ethical issues like algorithmic bias and fairness are crucial, they are not always directly tied to the operational challenges of AI implementation. However, ensuring ethical AI usage may require operational changes like adjusting AI models and investing in data quality.
- The overlap between regulatory and operational challenges points to issues like compliance with data privacy laws while implementing AI, and the costs of complying with regulations during AI integration. These operational challenges can affect the implementation of AI tools in line with regulatory standards.
- The central overlap between all three challenges represents the most complex issue, where ethical considerations, regulatory requirements, and operational feasibility converge. This intersection highlights the need for a holistic approach to AI adoption that addresses not only the technological implementation but also the ethical implications and legal frameworks that must be followed.

Findings

- AI adoption is increasing most financial advisors in India are now using robo-advisors, risk-assessment tools, and portfolio-management systems.
- Higher efficiency and lower cost AI help advisors save time, reduce manual work, and make faster, more accurate decisions.
- Human advisors are still essential while AI supports analysis and automation, clients still trust human advisors for emotional support, long-term planning, and personalized guidance.
- Ethical and regulatory concerns exist India lacks clear rules for AI use, leading to issues related to privacy, transparency, algorithmic bias, and data security.
- Uneven adoption across firm types large firms adopt AI more quickly because of resources and infrastructure, while independent advisors struggle due to cost and limited technical knowledge.

Suggestions

- Provide AI training for financial advisors so they can use technology effectively.
- Adopt a hybrid model where AI handles data and routine tasks, while humans manage decisions, trust-building, and client counselling.
- Develop transparent AI systems to help clients understand how AI-based recommendations are made.
- Strengthen regulations to ensure data privacy, fairness, and accountability in AI tools used in finance.
- Increase client awareness so investors understand both the benefits and risks of AI-driven advisory services.

Conclusion

The study shows that AI is significantly transforming financial planning and wealth management in India. AI improves speed, accuracy, and cost efficiency, making financial services more accessible. However, it cannot replace human advisors because trust, emotional understanding, and personalized guidance

are still essential for clients. The future lies in a human-AI hybrid approach, where technology enhances advisory services without removing the human touch. With proper training, transparency, and strong regulations, AI can help make India's financial advisory ecosystem more efficient, ethical, and client-friendly.

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