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Project Dissertation Report on The Influence of AI Generated Investment Strategy on Retail Investors' Decision-Making

Submitted By

Krishna Kant Tiwari

Roll No: 24/DMBA/117

Under the Guidance of

Dr. Renuka Prasad

Assistant Professor



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Delhi Technological University

Bawana Road, Delhi – 110042

CERTIFICATE

It is hereby certified that the Project titled "The Influence Of AI generated Investment Strategy on Retail investors 'decision making'" done by Mr. Krishna Kant Tiwari in the Fourth Semester for the course of Master of Business Management approved by Delhi Technological University for the year 2025-2026 has been completed.

Dr. Renuka Prasad

Assistant Professor
Delhi School of Management
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DECLARATION

I, Krishna Kant Tiwari, Roll No: 24/DMBA/117, student of MBA at Delhi School of Management, Delhi Technological University, hereby declare that the Major Research Project titled “The Influence of AI Generated Investment Strategy on Retail Investors’ Decision-Making” submitted in partial fulfilment of the requirements for the award of Master of Business Administration is my original work and has not been submitted for the award of any other degree or diploma at this or any other university or institution.

I further declare that the information and data given in this project report are authentic to the best of my knowledge. The project was carried out under the guidance of Dr. Renuka Prasad, Assistant Professor, Delhi School of Management, Delhi Technological University.

Krishna Kant Tiwari

Roll No: 24/DMBA/117

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Krishna Kant Tiwari

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EXECUTIVE SUMMARY

The swift development of the artificial intelligence (AI) has promoted significant change in the financial industry, especially the capital market. Based on the new AI technologies, several types of investment development, including robo-advisory services, algorithmic trading indicators, and AI-driven analytical tools, have become more and more popular among individual investors, due to their simplicity, the speed at which they operate, and data-driven nature (Baker & Dellaert, 2018). With the spread of the use of digital investment platforms, the need to study the effects of AI-generated strategies on individual investors becomes not only urgent but also insoluble.

Retail investors also represent a large and growing portion of the world financial markets, a phenomenon increased by the development of online trading platforms, as well as, mobile investment application. The retail participants are less financially literate than institutional investors and therefore they tend to be more dependent on outside sources of information in their decision to invest (Barber & Odean, 2013). The perception of AI-generated investment strategy is often objective, not subject to biases, and more accurate than the human judgment, which strengthens the trust and confidence of investors (Jung et al., 2018). Nevertheless, such a view can also result in the excessive delegation of power to AI systems, the loss of critical thinking, and the loss of the financial risk. In turn, the increased significance of the need to examine the degree to which retail investors understand and respond to AI-generated investment plans. Academically, the research of conventional investment decision-making and behavioural finance such as biases to overconfidence, herding and risk-aversion (Kahneman, and Tversky, 1979) is well-established research. Even though recent academic works have devoted much focus to AI in finance, the existing body of literature mainly focuses on technological effectiveness, algorithm precision, or institutional acceptance (Markakis, 2017). Not many researches explore the behavioural and psychological implications of AI-generated investment strategies to retail investors. The current study aims to fill this gap by examining the impact of trust, confidence, perception of risk, and decision-making process under the influence of AI.

The subject matter is not merely a fitting one but also timely and the views are incorporated in finance, technology, media, and management. The practical implication of investigating how the investing population will respond to AI-generated strategies can be relevant to the fintech enterprises, brokers, and financial marketers. The findings can also help organizations to create more transparent and easy-to-use AI tools, and in parallel, improve the communication approach to AI-based recommendations (Davenport & Ronanki, 2018). The regulators and policymakers can also get a holistic view of how the artificial intelligence has influenced the behaviour of retail investors and thus feed the ethical guidelines in implementing artificial intelligence as well as in how to present consumer protection policies.

The study design is valid and includes a mixed-method research design that is suitable to inquiry at MBA level. Quantitative surveys will provide the data capable of supporting the trends in the use of AI, its trust, and the subsequent behaviours, whereas qualitative interview offers more profound insights into the personal experience and attitude of investors.

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CHAPTER 1: INTRODUCTION

1.1 Background

The artificial intelligence (AI) has been rapidly spreading, leading to major changes in the world of finance and especially in the capital markets. According to the new AI tools, the following types of investment strategies are slowly being implemented by retail investors with the help of AI-based analytic tools, algorithmic trading signals and robo-advisory services due to their accessibility, speed, and data-driven character (Baker and Dellaert, 2018). With a growing number of people utilizing digital investment platforms, the issue of the impact of AI-generated strategies on individual investors becomes one of their paramount concern and cannot be neglected.

Retail investors have become an enormous and ever-growing proportion of financial market around the world particularly due to the growth of online financial trading systems and mobile investment still programs. The difference between these investors and institutional players is that many of them do not have a deep understanding of financial matters, thus they use more external sources of information in making investment decisions (Barber and Odean, 2013). The AI-based investment strategies are generally perceived to be objective, not biased, and more accurate than human judgment, which strengthen the trust and confidence of the investor (Jung et al., 2018). With the flip side, such a view can cause overly delegating power to AI systems, failure to critically think, and failure to consider financial risk. In this regard, the more important it becomes to investigate the comprehension and responses of retail investors to AI-generated investment plans in detail. Academically, the conventional investment decision-making and behavioral finance with its biases, overconfidence, herding, risk aversion, etc., form well-known research subjects (Kahneman and Tversky, 1979). Whereas the consideration of AI in finance is a relatively recent area of research, the existing literature does not focus on technological efficiency, algorithmic accuracy, or institutional adoption (Makridakis, 2017). The literature has also been lacking in studies with a systematic investigation of the behavioral and psychological impact of AI-generated investment strategies on retail investors. The

present study aims at filling this void by analyzing the factors of trust, confidence, risk perception, and decision-making process as affected by AI.

The subject matter is not only appropriate but also a very timely one as it considers the perspectives of finance, technology, media, and management. It is the investing public's reactions to AI-created strategies, that has the most important practical implications for fintech enterprises, brokers, and financial marketers. Just to mention, organizations can take advantage of this study to come up with AI tools that are more transparent and user-friendly and, at the same time, improve communication strategies for AI-based recommendations (Davenport & Ronanki, 2018). On the other hand, the regulators and the policymakers could find it very useful to have a more complete picture of the influence of AI on retail investor behaviour that would help them to formulate guidelines for the ethical use of AI as well as consumer protection frameworks. Furthermore, the subject matter is perfectly fitted to the utilization of mixed-methods research methodology at the MBA level. Quantitative data obtained from surveys can effectively demonstrate the existence of the patterns with respect to the use of AI, the level of trust, and the resulting behaviour, whereas qualitative research in the form of interviews can yield more profound information about the personal encounters and views of the investors.

1.2 Problem Statement

Although AI has been increasingly adopted in retail investment platforms, there is not much empirical research into its behavioural and psychological effects on retail investors. The current body of knowledge largely centers on the technical efficiency of algorithms and performance measures of investment portfolios rather than the human aspect of adopting AI in investing. This study tackles the central challenge, which is the increasing adoption of AI-driven investment strategies by retail investors, despite a lack of understanding regarding their impact on various aspects of trust, confidence, risk perception, and decision-making behaviour. This awareness is crucial for creating tools that are designed to best serve the interests of investors, but if it is absent from the design, developers, regulators, and advisors will not be effective in creating the tools.

1.3 Objectives of the Study

1. To gain insight into retail investors' trust and credibility in AI-driven investment strategies.
2. Assess the impact of AI-driven investment strategies on retail investors' investment decision-making processes.
3. To examine the effects of AI-driven investment strategies on investor confidence and risk perception.

Research Questions:

1. What are retail investors' opinions on the level of trust and credibility they have in AI-driven investment strategies?
2. How does the use of AI investment strategies affect investors' confidence and risk perception?
3. How do AI-generated investment strategies influence retail investors' investment decisions?

1.4 Scope of the Study

The proposed research will focus on how the retail investors perceive the credibility and trustworthiness of the AI-generated investment strategies. It is also aimed at assessing the effect of these strategies on the decision-making behaviour of retail investors and determining the effect of AI-generated strategies on investor confidence and risk perception.

Research Questions

The following questions will govern the study:

- (1) What is the perceived credibility and reliability of AI-based strategies in investment by retail investors?
- (2) How do AI-based investment strategies affect investor confidence/risk perception?
- (3) What is the effect of AI-generated investment strategies on the investment choice of retail investors?

CHAPTER 2: LITERATURE REVIEW

63 The fast development and implementation of artificial intelligence (AI) has radically changed the world of financial services of the whole world. AI has ceased to be a hidden benefit deployed in the trading rooms of hedge funds and has become a readily available tool that helps individual investors to make choices. Investors now can access professional-fund manager-only investment strategies through robo-advisor platforms, artificial intelligence (AI) based recommendation engines, and gAIs, which operate as generative artificial intelligence to deliver investment advice. The strategies produced by AI are marketed as efficient, data-driven, and less prone to emotional influences, thus placing them in the center of potential solutions to be used in investment portfolios.

Non-institutional investors have grown to use online platforms to guide their choices on investments. The reduction of entry barriers, including online brokerage accounts, mobile trading applications and fintech platforms has ensured people with an opportunity to be actively involved in capital markets. Simultaneously, AI-based investment strategies have been recognized, and they provide such services as portfolio allocation, assets selection, risk profiling, and automated rebalancing. Robo-advice and AI-based analytical software are capable of handling a large amount of data, past trends and forecasting algorithms to develop investment strategies that seem non-biased and non-random.

Regardless of the advantages, AI-generated investment strategies use is associated with various behavioural and managerial issues. On one hand, artificial intelligence tools are viewed as reasonable decision-supporting systems; on the other hand, human judgment is still complicated. Retailers can consider AI-generated plans to be more accurate, impartial, and authoritative compared to those provided by human advisors, which can bring in more confidence and dependence. However, AI inference might lead to a loss of critical thinking and thus complacency and risk-taking as individuals may become over-confident with the AI. The views and the behavioral patterns of retail investors towards AI-generated strategies, therefore, should be thoroughly researched to determine the actual effect of AI-generated strategies on investment decisions.

44 Even though more and more retail investing platforms integrate AI-based investment strategies, it is unclear to the best of available empirical studies how these technologies affect the decision-making process of investors. Literature on AI and robo-advisory systems has mainly been concerned with the technological performance, efficiency, and cost-benefit profile of these systems. Whereas this type of

research offers profound information regarding the precision of algorithms and portfolio performance, it often ignores the human aspect of using AI, especially how retail users perceive, believe, and eventually apply AI-generated strategies.

Institutional participants are significantly different than retail investors: they are less knowledgeable about financial issues, have less experience, and are highly emotional and prone to cognitive biases. Hence, one cannot assume that the behavioral outcomes of AI-based investment recommendations on the retail investors will be similar to those of professional participants in the market. As an example, retail investors can also be overly confident in the accuracy of AI-generated strategies and consider them absolute because they do not fully understand the assumptions and constraints of AI-based models.

Another challenge is presented by the appearance of generative AI technologies that can generate the entire investment strategy using natural language. Such tools are capable of producing convincing, self-confident stories about the investment opportunities, which increases behavioral biases, like overconfidence or confirmation bias. However, little empirical research has focused on establishing what effect AI-based investment strategies have on the level of confidence of retail investors, their level of risk perception, and their decision to invest.

1 This research already fills this gap by providing a thorough analysis of the effect of AI-generated investment strategies on the decision-making process of retail investors.

Regulatory and policymaking The study provides empirical data that can be used in consumer protection and financial regulation. With the development of AI-based investment strategy strategies, regulators must prioritize the interests of retail investors as well as avoid being misled by overrated claims or unclear algorithms. The application of the rules regulating the disclosure, explainability, and responsible use of AI in the financial services can be developed by following the principles of investor trust and behavior.

The current study is aimed at retail investors that have actively invested in or been exposed to AI-generated investment strategies. The article narrows down to consideration of behavioral and perceptual results of these AI-generated strategies without paying close attention to their technical performance or profitability. Research data will be gathered by means of an online questionnaire and follow-up personal interviews, which might pose limits on the generalisability of the findings due to the concern of self-report bias and the use of nonprobability sampling. Nevertheless, these drawbacks

are considered tolerable given the MBA dissertation level, which implies an exploratory subject and scope.

27 This dissertation comprises five chapters. First chapter outlines the research background, problem statement, objectives, and significance of the study. The second chapter offers a detailed literature review and establishes the theoretical framework. The third chapter concentrates on research methodology, e.g., research design, sampling, and data collection methods. The fourth chapter report and interpret the research findings, and the last fifth chapter, expound on the results, draw conclusions, point to implications, and offer recommendations for the future research work.

47 The chapter is a systematic critical review of the scholarly and practitioner literature that is relevant to the impact of artificial intelligence-generated investment strategies on the decision-making process of retail investors. The review fulfills various goals by relying on the academic work on behavioural finance, the implementation of artificial intelligence and financial services, and algorithmic decision support, as well as on the overall literature on the adoption of technologies. It does not only synthesise existing empirical discoveries, but also uncovers gaps, criticizes constraints of the methodology, and defines a consistent conceptual structure, which will be the basis of the empirical inquiry to be pursued in the further chapters.

2.1 Retail Investor Behaviour and Decision-Making

11 Retail investors are non-institutional individual investors who invest their own money in financial markets. Unlike institutional investors, the retail investors are often limited by information availability, analytical capabilities, and expertise. As a result, they will be more influenced by psychological elements, heuristic, and extrinsic information to make investment decisions.

11 Traditional finance theory assumes that investors are rational and utility maximisation. This premise is however aware of behavioural finance which records regular violations of rationality as a result of cognitive limitations and affective influences. Prospect theory provides an attractive account of the asymmetrical appraisal of gains and losses made by people, which is loss-averse and therefore appears as risk-averse behaviour in situations of profit and risk-seeking behaviour in situations of loss. Further studies find that retail investors are still biased in their behaviour and behaviours such as overconfidence, herding, anchoring and confirmation bias are persistently biased.

These behavioural biases achieve an increased topicality in modern online investment contexts, where investors are presented with extensive amounts of information and technological decision support systems. With problems of complexity and uncertainty, retail investors often demand simplified advice or authoritative suggestions, which makes them particularly open to algorithmic, AI-based investment protocols, which offer them objectivity, effectiveness, and information-based advice.

A survey of the behavioural finance literature indicates that the decision making process of the retail investors are significantly affected by cognitive constraints, heuristic judgments as well as reliance on external cues in the uncertain environment. The findings suggest the use of AI-generated investment strategies as strong informational anchors and not passive tools. The current research therefore makes decision-making behaviour as the dependent variable and determines the psychological mechanisms by which AI-generated strategies influence retail investor behaviour.

2.2 Artificial Intelligence in Investment Management

2.2.1 AI Development in Financial Services

Artificial intelligence is a type of computational systems, which have the ability to learn based on data, identify patterns and make predictions or recommendations with a minimum human intervention. In the financial services sector, AI has been actively used in fraud detection, credit scores, risk management, and algorithmic trading. Advancements in machine intelligence, natural language processing, and big data analytics have made AI adoption in investment-related decision-making quicker. At first, the implementation of AI was mostly limited to the institutional setting. However, the penetration of AI tools into retail investment platforms has been facilitated by technological advances and fintech innovation, putting individual investors at risk of complex analytical tools that were previously in reach only by institutional investors.

2.2.2 Robo-Advisors and Automated Investment Strategies

The robot-advisors form one of the most established modalities of AI-based investment strategies in the retail industry. Such systems utilize algorithmic processes to evaluate portfolio of an investor, including risk tolerance, and then they build a diversified portfolio often based on the modern portfolio theory. Empirical research shows that robo-advisors have the ability to reduce transaction costs, diversifying, and reducing behavioural barriers to investment.

Along with these advantages, there are also high limitations identified by empirical research. Retail investors often do not have a thorough knowledge of the internal processes that robo-advisors use to institute their recommendations, which, in turn, places them in a challenging situation of facing transparency problems and lacks the capacity to make a full-fledged judgment. Furthermore, robo-advisers are usually based on predetermined assumptions and past statistics, which can not be able to capture the changing market forces or personal preferences of the investor.

2.2.3 Generative AI and Strategy Formulation

Latest developments in generative AI propose a new breed of AI-based investment strategies. In contrast to traditional robo-advisors which deliver a set of numbers to represent an asset allocation, generative AI products generate narrative based strategies, textual explanations and natural language market interpretations. Such systems are able to combine heterogeneous data sources and interactively respond to queries by the users. Generative AI has communicative and persuasive features that are new to the previous algorithmic tools. Although these features can help to increase accessibility and engagement, they also increase the level of behavioural impact of AI-generated strategies. Even in situations where the uncertainty is huge, retail investors can put more trust in the AI outputs that seem well-formed, confident, and personalised.

Taken together, the literature about robo-advisors and generative AI demonstrates that AI-generated investment algorithms do not differ only in the technicalities of their recommendation but also in their communication (and human cognition) strategies. These differences suggest that the behavioural implications of AI are mediated by patterns of interpretation and utilisation by investors rather than by the sophistication of these algorithms. In line with this, the present study prefigures the use of AI strategy as the independent variable, as opposed to limiting the search to technical performance measures.

2.3 Trust, Behavioural Bias, and Investor Confidence

Trust works as a key process by which AI-driven investment advice influences retail investor behaviour. Trust, in this context refers to the belief that AI systems are dependable, accurate and can produce suggestions that will enable one to make good investment choices. Research into algorithmic decision-support systems indicates that users often believe that AI is more objective and less emotionally-biased than human decision-making, especially in such complicated areas as finance.

This perceived objectivity may have two influences. On the one hand, the confidence granted to AI-based strategies can help reduce emotional decision-making and promote discipline in investing. Conversely, too much trust will create automation bias, in which investors will irrationally follow AI advice without sufficient due diligence. Literature on behavioural finance argues that AI does not eliminate cognitive biases but might have complex interactions.

The obvious implication of the belief in AI-based strategies is its influence on the confidence of investors. The use of AI tools can help to bring a sense of structure, validation, and reassurance, which increases the perceived competency of investors in making decisions. Gains in moderation can be seen as making decisive and goal-oriented decisions when investing, yet excessive confidence leads to overtrading, excessive risk underestimation, or overtrust in the output of AI.

AI has not impacted on trust and confidence in all investors the same way. According to the empirical evidence, the effects are mediated by investment experience and financial literacy. Experienced investors will be more willing to use AI-based strategies as additional data, and beginners can view them as authoritative. Such heterogeneity highlights the need to study AI-generated investment strategies as influencers of behaviour, as opposed to not influencing the behaviour.

Taken together, the literature indicates that AI-generated investment strategies have an indirect impact on retail investors as they affect psychological processes, namely trust and confidence, which, in their turn, impact risk perception and behaviour outcomes.

48 In addition to the psychological process, the literature suggests serious questions about the measurement and assessment of the impact of artificial intelligence on investor behaviour. As opposed to the conventional financial advice, the AI-generated investment plans are often integrated in an almost seamless manner into the digital medium, making their influence less detectable and hard to trace. It is rather possible that retail investors subconsciously do not differentiate between personal judgment-driven and AI-informed decisions. This becomes a problem in how researchers research it because self-reported measures could under or simplify the role AI plays in decision-making. This has led to the increased awareness of the necessity of mixed-method strategies that can use quantitative indicators and qualitative considerations to understand the observable behaviours as well as the rationales behind these choices.

64 The other novel theme in the literature is the use of AI and human collaboration in investment decision-making. AI-generated investment strategies are not replacing human judgment altogether, but rather

they are becoming a collaborative tool which dynamically interacts with investor preferences, beliefs and experiences. It has been proposed that the results will be related to the allocation of responsibility and power between the investor and the AI system. It can allow making the analytical processes more rigorous and consistent in case the final decision making power lies in the hands of the investors, and the products of the artificial intelligence are audited by the investors. However, the mental disconnection of investors that takes place when the accountability has been transferred to the algorithm implicitly can make investors more prone to errors, especially when the market is in uncharacteristic conditions. The collaborative approach outlined below also theorizes AI not as an autonomous decision-maker, although as part of a larger socio-technical decision-making system.

The literature also suggests that the role of the media, platform design, and marketing narrative in shaping perceptions of AI-generated investment strategies has been on the rise. Fintech apps predispose to frame AI-based investing as something new, smart, and better than the traditional strategy, implement design features and language suggesting accuracy and dependability. Although marketing and communication literature recognizes the persuasive effect of technological framing, little response with investor behaviour has been studied in research on finance. This overlap of AI potential, platform communication and investor interpretation also justifies the necessity of empirical research to determine the impact of AI-based investment strategies on actual retail investment decisions.

2.4 Research Gaps

The literature analysis shows that there are a number of significant gaps that could support the present study. First, although AI-based investment strategies are becoming a common practice among retail investors, not much empirical evidence has been done regarding its behavioural effects beyond the technical returns. Second, the literature tends to analyse the concepts of trust, confidence or risk perception separately, without developing them into a coherent behavioural model. Third, there is a shortage of research using a mixed-methods methodology that integrates quantitative analysis with qualitative information on investor experience.

Moreover, the fast development of the generative AI tools has exceeded the scholarly work, and that is why it is necessary to investigate the impact of such systems on the decision-making by retail

investors in time. This is necessary in addressing these gaps in order to come up with a more in-depth picture of the role of AI in contemporary investing.

2.5 Theoretical Framework

The theoretical framework will provide the conceptual background of the current research as it will be based on the established theories to explain how AI generated investment strategies can influence the decision-making process of retail investors. The framework does not assume the fully rational behaviour, but it recognises that investment decisions are influenced by psychological, technological and contextual factors, particularly in the uncertain and complex conditions.

The theoretical basis of this study is the most influential one, that is, behavioural finance theory, which challenges the assumption of how people are rational by showing that they often use heuristics, external information, and shortcut decision rules. Behavioural finance assumes high vulnerability of the retail investors towards decision aids in the face of complex financial data and uncertain market situations. In this context, the AI-informed investment strategies can be influential informational signals especially when they are framed as objective, data-driven or authoritative. This kind of framing has the power to tune the information processing and decision making by investors, without necessarily increasing the underlying rationality.

Comprising behavioural finance, views on technology adoption offer an insight into the variables that cause retail investors to invest in AI-generated investment strategies. Such views highlight perceived usefulness, perceived credibility, and ease of incorporating such tools into current decision making practices as some of the determinants of adoption. In this perspective, investors are more likely to conduct AI-generated strategies in their investment activities once they believe that they improve the quality of decisions or minimize the cognitive load that is involved in their complex financial analyses.

Besides, trust theory leads to an insight into the temporal development of the dependency on the AI-created strategies of investments. Credibility of algorithmic systems has an effect on the extent to which investors can rely on AI-generated output information when making investments. Trust cannot be established just on basis of technical effect but it is developed through recurrent interaction, trusted reliability and consistency of result. Due to the development of trust, investors can be more willing to consult and take recommendations provided by AI.

In combination, these theoretical approaches support the assumption that AI-based investment strategies will affect retail investor behaviour via psychological and perceptual processes, instead of being a direct way of automating investment decisions. The theoretical framework provides a solid basis to analyse the relationships that were tested in this study by the inclusion of behavioural finance, technology adoption, and trust based explanations.

CHAPTER 3: RESEARCH METHODOLOGY

This paper employs the mixed methods research design to investigate the connection between artificial intelligence-based investment strategies and the decision making process of retail investors. The mixed-method is suitable due to the fact that it allows the combination of both quantitative and qualitative data, thus, it allows discovering not only measurable connections but also explaining the behaviour of investors with the help of context. The study is a combination of survey research and in-depth interviews, which provide a more profound insight into the application and perception of AI-generated investment strategies by retail investors.

The research design is theoretical and explanatory in type, whose conceptual model and hypotheses are founded on a substantial literature review. It is aimed at determining statistically significant associations between well-defined variables instead of making predictions or determining causation.

The quantitative element uses cross-sectional survey design. The information gathering is performed at one time point by using a structured questionnaire on the online platform. The design is appropriate in establishing the current trends in the use of AI, accuracy perception, investor confidence, and investment decision-making behavior among retail investors.

The quantitative analyses will be used to test two hypotheses through multiple regression. The choice of multiple regression is due to the possibility to study simultaneously the interdependence of independent and dependent variables and consider the variation of individuals. The methodology is consistent with the conceptual model of the study and guarantees the ability to evaluate the role of each independent variable.

3.1 Research Design

The research design is theoretical and explanatory in type, whose conceptual model and hypotheses are founded on a substantial literature review. It is aimed at determining statistically significant associations between well-defined variables instead of making predictions or determining causation.

3.2 Hypotheses

Two primary hypotheses are tested in this study:

- H1: There is a significant relationship between the frequency with which retail investors use AI-generated investment strategies for investment research such that it increases their likelihood of executing trades or making portfolio adjustments based on AI-generated recommendations.
- H2: There is a significant relationship between retail investors' perceived accuracy of AI-generated investment strategies and their level of confidence in investment decision-making.

3.3 Sampling

The quantitative part of this study will have a target group of 80-100 retail investors. This sample size is deemed to be adequate considering the method of analysis used in the study and objectives of the research.

The work uses the descriptive statistics and simple linear regression analysis to test two well outlined hypotheses. The methodological literature indicates that simple regression analysis can provide reliable and interpretable results with moderate size of sample, especially when the models have a small number of variables, and the models are theory-based.

Since all hypotheses in this research are aimed at testing a direct correlation between one independent variable and one dependent variable, the sample size of 80-100 respondents will be adequate to reveal any meaningful correlation, as well as to not compromise the validity of the research.

3.4 Data Collection Instruments

3.4.1 Quantitative Questionnaire

The structured online survey conducted on Google Forms will be used to obtain quantitative data. The target sample is about 80-100 retail investors, the sufficient size of an MBA-level research, and the size that allows conducting the studies with a significant descriptive and inferential analysis. The convenience sampling technique will be used, whereby the participants will be attracted using their personal and social networks, social media, and online investment communities. The questionnaire will contain close-ended questions, including multiple choices and Likert scale questions, that will

be used to measure such variables as frequency of the AI strategy use, trust towards AI recommendations, perceived accuracy, and confidence in investment or perceived risk change.

3.4.2 Qualitative Interview Guide

Open ended questions will enable respondents to express themselves freely providing more information regarding trust building, reliance on AI and perceived risks. The interviews will be carried out online whereby the recordings will only be received after the consent of the participants.

Qualitative information will be analyzed with the help of thematic analysis. Interpretation of interview transcripts by coding will reveal patterns and themes of the perceptions, trust, confidence, and decision making behaviour of investors. Such qualitative results will be useful in supplementing and also to explain the quantitative results thus increasing the overall validity of the research as a result of methodological triangulation.

3.6 Ethical Considerations

Ethical considerations will be highly observed during the study. The process will be voluntary and informed consent will be taken among the participants. The data will be anonymous and kept confidential. No financial or personal identifiable information will be sought. Altogether, the tentative research methodology is feasible, systematic, and in line with the research objectives, is the most appropriate methodology to be used in the dissertation MBA given the available time and resource constraints.

CHAPTER 4: DATA COLLECTION

4.1 Quantitative Data

The descriptive statistics, correlation analysis and multiple linear regression methods will be involved in the analysis of quantitative data. The analysis to test the hypothesised relationships is done using simple regression in a theory driven fashion, which is in line with the conceptual framework of the study.

In the case of Hypothesis 1, the multiple regression will be employed to test the correlation between the frequency of the application of AI-based investment strategies and the investment decision-making behaviour of retail investors.

In the case of Hypothesis 2, multiple regression will be done to examine the correlation between perceived accuracy of AI-generated investment strategies and investor confidence.

4.1.1 Demographic Profile of Respondents

The respondents were spread across ages with the largest age group being 25-34 (29%) followed by the 18-24 year old age group accounting for 28% of the respondents. The majority of them had undergraduate degrees (72%) and were investing for 1-3 years (31%). Stocks (59%) and mutual funds/ETFs (71%) were the most common asset classes held.

4.1.2 AI Tool Usage Patterns

The most popular AI platforms used were ChatGPT/Deepseek/Perplexity, with 64% of the respondents choosing these. The third most popular platforms were Wealthfront (27%) and Magnifi (19%). The primary use cases cited for using AI were for market analysis (62%) and idea generation (59%), and 35% were using it at the lowest level of regularity.

4.1.3 Decision-Making Behaviour

Most respondents (42%) reported that they seldom made trades directly from AI recommendations. Likewise, 39% reported that they had not frequently changed their investment portfolios due to AI

advice. The patterns indicate that AI is being used more for informational purposes in most retail investors' decision-making processes rather than for directions.

4.1.4 Perceived Accuracy and Confidence

46% of respondents consider AI-designed investment strategies as moderately accurate (-3 on a scale of 5), while 46% consider AI recommendations as moderately reliable. Handling the investment with AI lead to a moderate level of increased investment confidence, as reported by 40% of the respondents (scale point 3).

4.2 Qualitative Data

The research method for the qualitative part will be semi structured in depth interviews, exploratory design. This strand is not designed to test a hypothesis, but rather to gain insight into the real world perspectives, assessment and application of AI driven investment strategies among retail investors. The semi-structured interviews were chosen because they would allow the researcher to build some uniformity in the participants while at the same time give some flexibility so that the researcher can explore the personal experiences of the people further. This construct will assist in identifying the pattern of AI usage, the perceived value of the use and decision making process – these could not be fully captured in survey data.

CHAPTER 5: DATA ANALYSIS – QUALITATIVE

The qualitative study used the "thematic systematic methodology" which sought to describe the effects of AI based investment option on trust and confidence of retail investors, perception of risk, and investor decision making. The interview transcripts were first transcribed word-by-word and open coding was performed where salient quotes were identified and coded line by line to identify the key constructs of patterns of AI utilization, cross-verification behavior, changes in confidence, and risk-related concerns.

The codes were then aggregated according to conceptually relatedness (e.g., conditional trust, efficiency motivated adoption, behavioural stability). At the last stage, the selective coding was employed to condense these clusters into the main themes that were directly related to the main variables of the study Trust, Confidence, Risk Perception, Behavior and Adoption. A recurring pattern, contrast, and deviations were identified through constant comparison through the entire process of analysis of all the participants. This thematic analysis underpinned by structure therefore yielded results based on the actual experiences of participants and at the same time resonated with the hypotheses and conceptual framework of the study.

Thematic sets have been thoroughly re-grouped into codes created out of nine interviews. The different types of codes have been categorized under theme of relevance and the codes which are close to each other have been grouped together so as to reduce redundancy yet without any conceptual element being left out.

1. Investor Background & Investment Orientation

▪ Investing Experience & Exposure

- Long investing experience (4–10 years)
- Moderate investing experience (4–5 years)
- Early exposure via family influence

- COVID interruption and reinvestment
- Learning-phase / experimentation stage
- Unstructured early investing approach

▪ **Investment Style & Horizon**

- Long-term orientation (2–5 years)
- Short-term/experimental orientation
- Dividend and bonus preference
- Equity-dominant portfolio
- Mutual fund dominance
- ETF inclusion
- Digital gold investment
- Asset allocation awareness
- Sector diversification strategy

▪ **Risk Orientation & Prudence**

- Risk-averse mindset
- Hard-earned money protection mindset
- Volatility awareness

- Crypto avoidance due to regulation

- Regulatory clarity concern

2. Traditional Research & Information Behavior

▪ News & Media Dependence

- Financial news reliance
- Sector tracking via news
- CNBC / Zee Business following
- Economic Times reading
- Market sentiment monitoring

▪ Fundamental Analysis Practices

- Annual report reading
- Management commentary review
- Financial ratio analysis (PE, EPS)
- Benchmarking sector peers
- Industry comparison
- Company growth evaluation
- Yield analysis

- Performance metric evaluation

▪ **Word-of-Mouth & Social Influence**

- Peer advice seeking
- Knowledge sharing with friends/family
- Social proof reliance
- Expert opinion consultation

3 AI Adoption & Usage Patterns

▪ **Frequency of AI Use**

- Weekly AI engagement
- Monthly AI engagement
- 60% decision AI-influenced
- Frequent AI consultation (2–3 times/week)
- Portfolio review usage

▪ **AI Usage Stage in Decision Process**

- Initial research stage use
- Confirmation-stage use
- Execution-stage integration
- Portfolio rebalancing use
- Risk profiling integration
- Sector rotation guidance
- Multi-Platform Strategy

4: Risk Perception and Human Judgment Supremacy

Risk perception was the most powerful boundary for the impact of AI. Participants generally agreed that AI is great for analyzing historical data and identifying numerical trends, but lacks the ability to

capture human mood, market hysteria, geopolitical uncertainty and macroeconomic shocks. There was a distinct hierarchy among investors: AI for data analysis, and human judgment for interpretation of risk. The estimated level of AI competence in risk assessment was between 70-80% and there was a general consensus that the final 20% needed to be managed by humans.

5: Behavioural Stability with Tactical AI Integration

One surprising result was that the use of AI didn't affect investors' identities or investment philosophies. The metrics of long-term investors, risk-taking decision makers, and diversifying individuals remained the same across the groups, even with their exposure to AI. AI had a significant impact on tactical decisions, including entry/exit timing, portfolio rebalancing, and sector allocation changes, but there were fewer examples of the AI recommending what stocks to buy and hold than that. Though there were more examples of using AI for tactical decisions, like entry/exit timing, portfolio rebalancing and sector allocation changes, the direct trade execution based on AI recommendations was the exception.

6: Future-Oriented Adoption and Commercial Acceptance

1 The respondents were highly optimistic about the future role of AI in investing. Almost everyone preferred a hybrid (AI/human) model to complete automation. The price range for specialised AI investment platforms varied from ₹300 to ₹10,000 per month, indicating the gradual commercialisation and normalisation of investing with AI assistance.

7: Mapping Themes to Research Hypotheses

H1 is supported by Theme 1 (Efficiency) and Theme 3 (Confidence Reinforcement): The more AI is used, the more structured research is conducted and the higher the perceived decisiveness. These three themes (Theme 2 Conditional Trust, Theme 4 Risk Filtering, Theme 5 Behavioural Stability) help to explain H2: that trust of AI affects whether or not suggestions are taken on board, whether or not allocation changes, and whether or not execution occurs (depending on risk perception).

Thematic Narrative

According to the qualitative analyses, AI-generated investment strategies are mostly used by retail investors as cognitive focusing tools but not as independent decision-makers. Reasons behind the adoption of AI are primarily connected to efficiency, with all participants indicating that it is important due to the time savings, organized analysis, and faster consolidation of information. AI platforms thus reduce the effort that is needed in screening stocks, ratio and portfolio monitoring.

However, the levels of trust towards AI are conditional and measured. In all interviews, there was systematic cross -verification behaviour among the participants. The results of AI are verified against different platforms and supported by conventional media sources such as annual reports, financial news, and peer review. These results recommend that the trust in AI is not unqualified, but it works with negotiated verification procedures.

The psychological effect of AI seems to be the most visible, specifically, the increased investor confidence. The respondents stated that they were able to feel more structured, organized, and confident in their decision-making when using AI tools. Putting information in a coherent summary form that has been scattered all around seems to create a feeling of control over the investment decision. This trust, however, does not result in utter dependence. Most investors retained the final decision authority and rarely made trades without independent confirmation.

The most intense boundary on the influence of AI is risk perception. Despite the respondents' non-objections to the use of AI for pattern recognition based on historical information and forecasting, they repeatedly raised the point that AI models are unable to take into account human affective conditions, geopolitical disruptions and sudden twists in the markets. In condition of extreme uncertainty, investors would be inclined to make personal judgments. Despite its power, AI did not have a fundamental impact on the behavior of investors. Instead, it serves as a tactical supplement, which reinforces the portfolio rebalancing decisions, sector

rotation, and asset allocation choices. Investment philosophies such as the long-term holding strategy and risk preferences have not been changed significantly.

1

In the future, respondents were very optimistic about the growing role of AI. Most of them expressed the readiness to pay subscription and to use highly developed platforms, especially with forecasting, valuation models, and personalization options. However, hybrid AI-human models were more preferred by the majority as compared to fully automated systems.

Mapping Themes to Final Hypotheses

Hypothesis 1 (H1)

H1: The extent of AI-generated investment strategy usage is significantly associated with retail investors' confidence in their investment decision-making.

Supported by:

- Theme 1 (Efficiency)
- Theme 3 (Confidence Reinforcement)

Qualitative Insight:

Higher AI usage → More structured research → Higher perceived decisiveness.

Hypothesis 2 (H2)

H2: Trust in AI-generated investment strategies significantly influences retail investors' investment decision-making behavior.

Supported by:

- Theme 2 (Conditional Trust)
- Theme 5 (Behavioral Stability)
- Theme 4 (Risk Filtering)

Qualitative Insight:

Trust affects:

- Whether AI suggestions are considered
- Whether allocation changes occur
- Whether execution happens

But trust is moderated by risk perception.

Qualitative results and analysis.

7.1 Introduction

In this chapter, the authors outline the qualitative results of the study of the impact of AI-generated investment strategies on the trust, confidence, risk perception, and investment decision-making behavior of the retail investors. The qualitative aspect was used to supplement the quantitative analysis by investigating the more psychological, behavioural and perceptual processes involved in adopting AI in an investment setting.

Retail investors that actively participated in financial markets were used to administer semi-structured interviews. Respondents were very diverse in terms of experience levels, portfolio composition and AI frequency of use. A thematic analysis was done to evaluate the data

in a systematic manner. The coding involved three phases, which included open coding (identification of initial concepts), axial coding (sorting of similar codes), and selective coding (formation of core themes in respect to the study variables).

Six central themes were obtained in the analysis:

1. AI as a DeS and Cognitive Efficiency System.
2. Verification Culture and Conditional Trust.
3. AI-Enhanced Confidence
4. Perception of risk and Superiority of human judgment.
5. Tactical AI Integration Behavioural Stability.
6. Innovative Future Adoption and AI Institutionalisation.

The themes are discussed below.

7.2 AI as a Cognitive Efficiency and Decision Support System.

The perception of AI as a cognitive efficiency-enhancing tool as opposed to an AI-based one that replaces human judgement was one of the most prevailing themes that presented themselves in all interviews. According to the participants, the use of AI platforms like ChatGPT, Gemini, robo-advisory systems, and other AI-based tools decreased the time and effort needed to collect information and analyze it financially by several folds.

According to investors, traditional research was considered disjointed and time-intensive, entailing reading the annual reports, following the news of the sector, following the ratios and comparing firms manually. AI tools have been considered as aggregating scattered information in systematic summaries in a few seconds. This grouping was described as being organised, systematic and on a platter.

Notably, mostly, it was the efficiency that pushed adoption due to unhindered technological enthusiasm. Participants regarded AI as:

- A filtering system of prospective investments.
- Summarisation of financial statements tool.
- An assistant of comparative analysis.
- An accelerator in portfolio review.
- A forecasting assistant

The efficiency aspect was also expanded to portfolio monitoring. Investors that checked their portfolios weekly or monthly used AI to swiftly re-examine allocation, sector exposure, and risk exposure, speeding up their decision-making.

This theme is very evidence-based when compared to the variable of adoption in the research. The results indicate that retail investors use AI not due to the fact that they have the full confidence but as it helps them to become more productive and reduces the cognitive load. Therefore, AI is used as a type of cognitive decision-support system.

7.3 Culture of Conditional Trust and Verification.

The theme of trust became rather complex and nuanced. Contrary to the expectation that the use of AI would result in a blind trust, the respondents demonstrated uniform behavioral tendencies of cross-validation and distrust.

Every participant said that they evaluated AI outputs by use of one or more of the following processes:

- Checking on another AI platform.
- Analysis of the modern financial news.
- Analysis of annual reports of the company.
- Assessment of sector trends.
- Comparison of ratio data manually.
- Requesting opinions of peers.

There was a contingency, circumstantial, and selective confidence in AI. Specifically, the respondents admitted the inherent limitations of AI tools, which are:

- Risk of hallucination.
- Use of previous information.
- Overestimation of assumptions.
- Production done under assumptions.

Some investors noted AI recommendations were sometimes aggressive, but they were even more selective when it came to making such recommendations depending on the market conditions. The culture of verification proves that the level of trust towards AI is not dichotomous but lies in a continuum of values. Investors use AI to analyze them in a systematic manner but do not give AI final decisions without human validation.

The results strongly prove the trust variable in the conceptual framework. The degree to which AI recommendations are taken seriously is mediated by trust, though varies again by verification behaviour and risk perception.

Therefore, AI trust cannot be absolute or not present, it is negotiated.

7.4 AI-Enhanced Confidence

Although trust was conditional, AI had a strong influence on the investor confidence psychologically. Respondents always said that AI tools:

- Greater transparency in decision-making.
- Less confusion due to the dissemination of information.
- Established self analyses.
- Established the sense of being informed.
- Improved decisiveness

The summaries and comparative analyses, created by AI, confirmed the preliminary assumptions made by investors, thus, playing a crucial role in increasing the confidence.

Interestingly, confidence development was not related to dependency. Most of the interviewees acknowledged that without AI, they could continue to invest but at a reduced rate and in a less orderly manner.

Other participants note that AI gave them a sense of security since data is presented in an organized way. This is in part possibly due to confirmation bias, wherein when AI results matched independent analysis, the confidence went up.

The confidence level was high especially in:

- Portfolio reviews
- Risk profiling
- Sector rotation decisions
- Long-term growth evaluation

This theme is consistent with confidence variable of the study. The more AI is used, the more perceived decisiveness and structured investing behaviour are associated in a positive way.

But confidence is mostly boosted when conducting research and evaluation stages, but not at the execution level.

7.5 Risk Perception and Judgment Supremacy of Mankind.

The strongest boundary to the influence of AI became risk perception. Most of the participants widely held that AI excels at analysing past data and finding numbers trends. However, they were sceptical about the ability of AI to capture:

- Human sentiment
- Hysteria-inflation in the market.
- Geopolitical instability
- Sudden regulatory changes
- Macroeconomic shocks

Investors often stated that, in volatile environments, e.g. when there was war or tariff announcements or crisis in a sector, they would use personal judgement more than AI.

AI was seen as data-driven where markets were seen as behaviour-driven and this resulted in a sense of hierarchy of authority:

- AI: data analysis
- Human: risk interpretation

Part of the respondents estimated that AI would help in assessing 70-80 per cent of risk but not 100 per cent. They pointed out that due to the unpredictability of future, forecasting models are bound to be limited.

This theme is closely associated with risk perception variable. Structured evaluation is done through AI by investors, but risk interpretation is human-biased. Trust is moderated by risk perception, with the escalation in perceived uncertainty reducing the reliance on AI.

7.6 Tactical AI Integration through Behavioral Stability.

One of the salient conclusions of the current research will be that the implementation of artificial intelligence (AI) does not inherently change the identity of the investors or the investment philosophy in general.

Most of the participants described themselves in the following way:

Long-term investors

Investors who are significantly motivated.

Risk-conscious decision-makers

Diversification-focused

Exposure to AI did not lead to a change in these self-descriptions. Rather, AI had an impact on tactical decision-making, such as:

Timing of entry or exit

Portfolio rebalancing

Sector allocation shifts

Risk-capacity alignment

It was observed that there were some cases of trading being executed on AI advice directly but these were an exception as opposed to the rule.

All in all, AI seems to reinforce current behavioral patterns and not redefine them. This observation is very much in line with behavioral L1 construct. The role of AI is limited to small-scale, micro-tactical changes and fails to change the macro-level investment philosophy.

7.7 Future-Selective Adoption of AI and Institutionalisation.

The respondents gave positive projections with regard to the future of AI in the investment arena. It is expected that with the advancement of AI tools, they would transform into:

More accurate

More developed in prediction.

More efficient with personalisation.

More fully embedded within investment eco systems.

The majority of respondents said that they would become more dependent on AI over time, but almost all of them wanted to see a hybrid solution to this risk by applying AI effectiveness and human judgment in a single system.

The cost of AI-based investment platforms between 300 to 10000 monthly was an important divergence, the sophistication of features and accuracy of forecasting depending upon the cost involved. Such readiness to monetise highlights the business possibilities and increased normalisation of AI-assisted investment processes.

Such results support the adoption latent variable, especially regarding the future adoption intention.

7.8 Cross-Theme Integration

The qualitative analyses develop an integrated model:

Use of AI: More efficiency: More confidence.

Trust-Influences Behavioral Adjustment.

Perception of Risk: mediates Trust and Execution.

Action Tactical change but no philosophical changes.

The main usage of AI by investors is aimed at improving efficiency. Trust is conditional and mediated by the processes of verification. The confidence is increased because information is organized. The risk perception limits full automation. The changes in behavior are not radical changes but gradual ones.

7.9 Conclusion

The qualitative data prove that AI-created investment plans serve the retail investor as the main cognitive assistance tool. The process of adoption is motivated by the gains in efficiencies and not blind technological zeal. Trust is dependent on verification. AI enhances trust, yet not the

judgment of a human. Risk perception plays a moderation role in terms of excessive dependence. Finally, AI has an impact on the tactical decision-making process without changing fundamental investment philosophies.

Overall, these results show that the use of AI in investment is an augmentation and not automation of investment. Investors are starting to think of AI as a systematic analytical assistant and not a financial authority. These lessons can offer a solid conceptual model of the interpretation of the quantitative results and testing the hypotheses formulated regarding the use of AI, trust, confidence, and risk perception and investment behaviour.

Qualitative Data:

The qualitative part of research will be designed as exploratory with semi-structured in-depth interviews. This strand isn't designed to test a hypothesis, but to gain a perspective into the real-world perception, assessment, and use of AI-driven investment strategies by retail investors. Semi-structured interviews were chosen because it was possible to make the participants more uniform and allow for some flexibility for the researcher to delve deeper into the people's personal experiences. This construct will help to detect the pattern of AI use, its perceived usefulness, and decision-making processes, which could not be fully reflected by survey data.

Link to Drive Folder:

CHAPTER 6: DATA ANALYSIS – QUANTITATIVE

Data Collection:

Quantitative Data:

20 The descriptive statistics, correlation analysis and multiple linear regression methods will be
18 involved in the analysis of quantitative data. The analysis to test the hypothesised relationships is
16 done using simple regression in a theory driven fashion, which is in line with the conceptual
framework of the study.

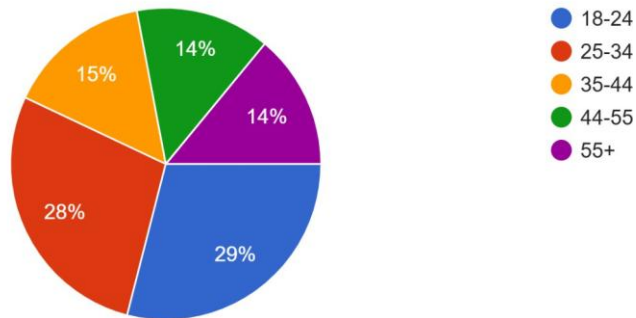
10 In the case of Hypothesis 1, the multiple regression will be employed to test the correlation between
the frequency of the application of AI-based investment strategies and the investment decision-
making behaviour of retail investors.

In the case of Hypothesis 2, multiple regression will be done to examine the correlation between
perceived accuracy of AI-generated investment strategies and investor confidence.

Individual differences can be explained using control variables (experience in investment and
financial literacy). Simple regression methodology used provides transparency, interpretability and
soundness of the methodology, especially given the sample size that was used in the study.

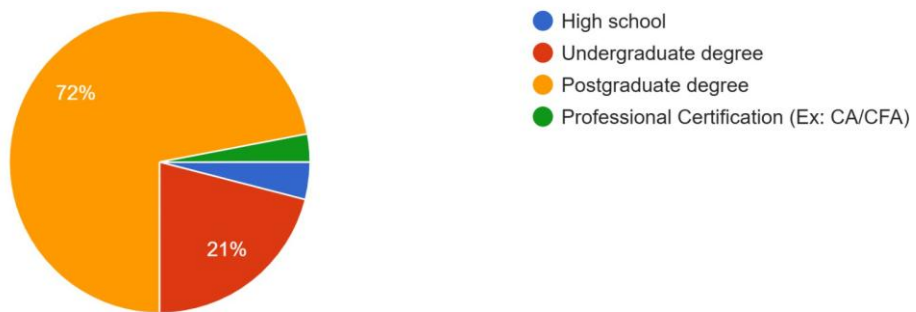
What is your age group?

100 responses



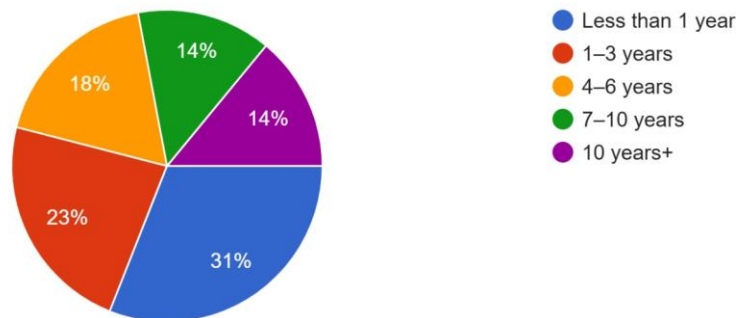
What is your highest level of education?

100 responses



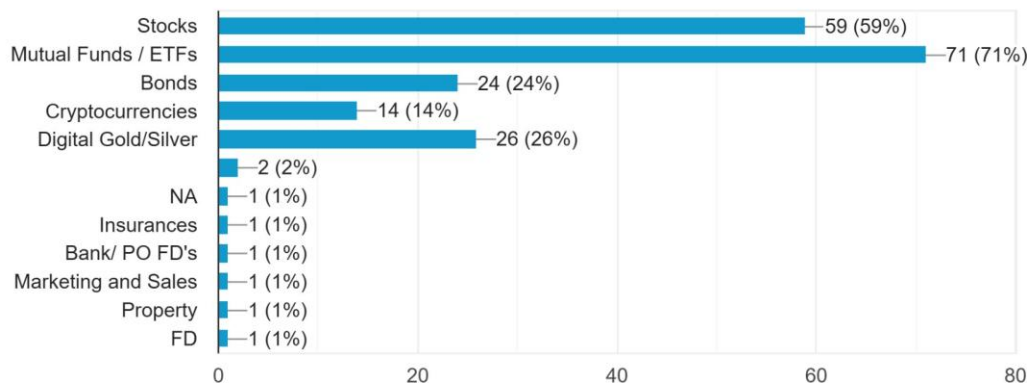
How many years have you been investing?

100 responses



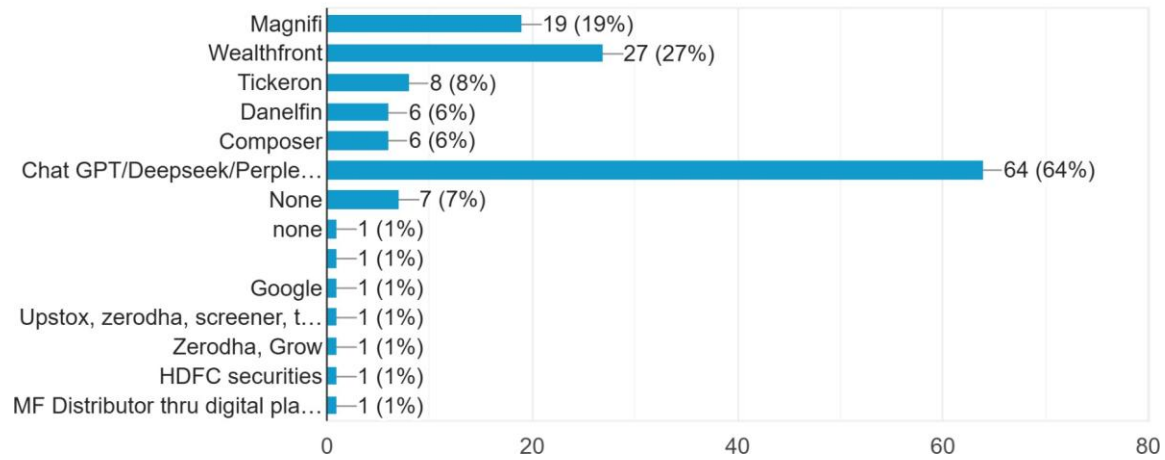
What types of assets do you primarily invest in?

100 responses



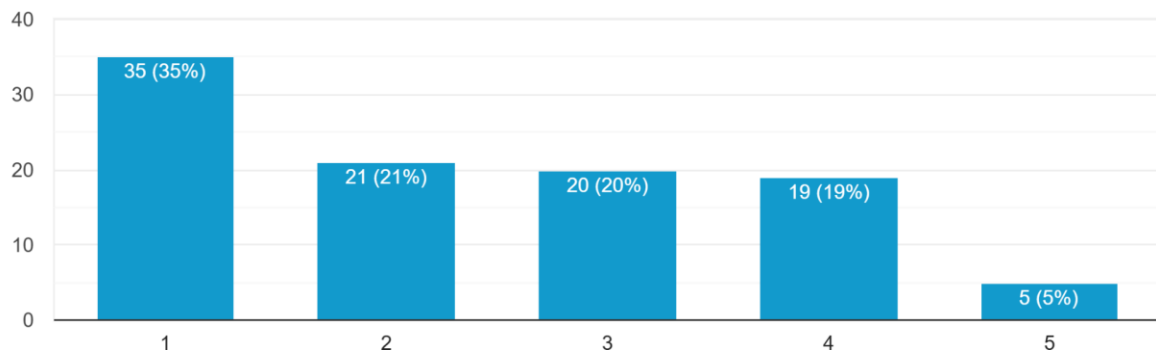
Which AI-based tools/platforms do you use?

100 responses



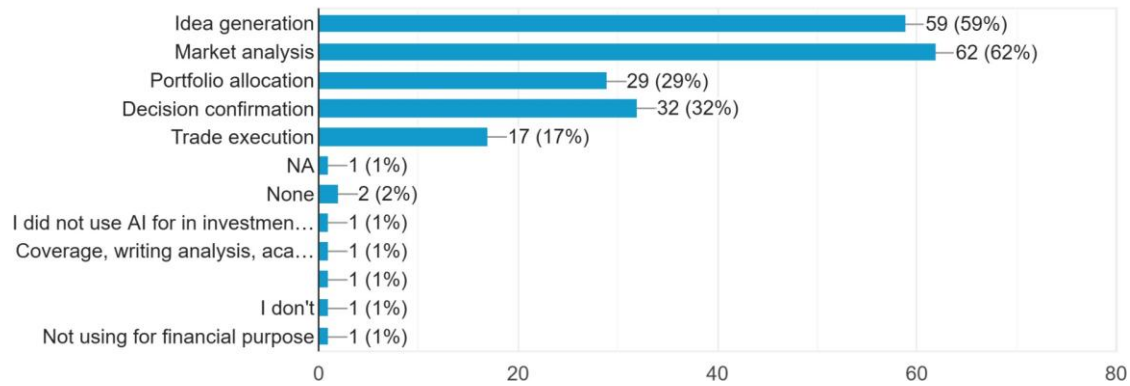
How often do you use AI tools/platforms for investment research?

100 responses



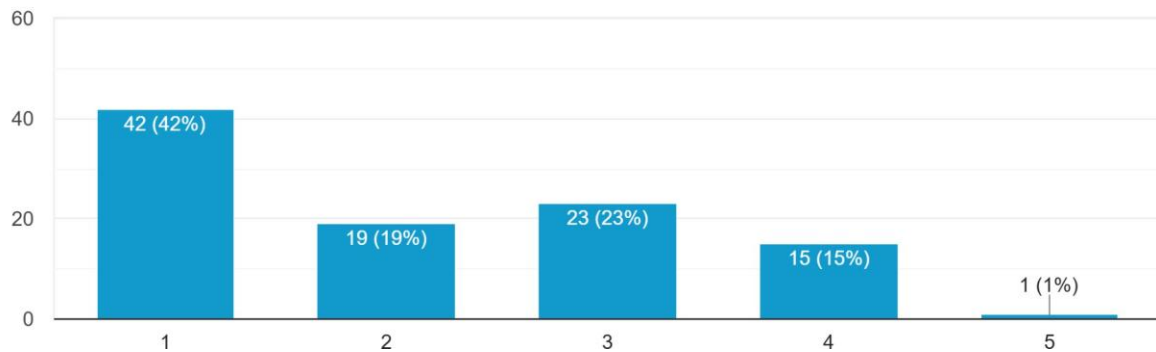
For what purpose do you use AI-generated strategies most?

100 responses



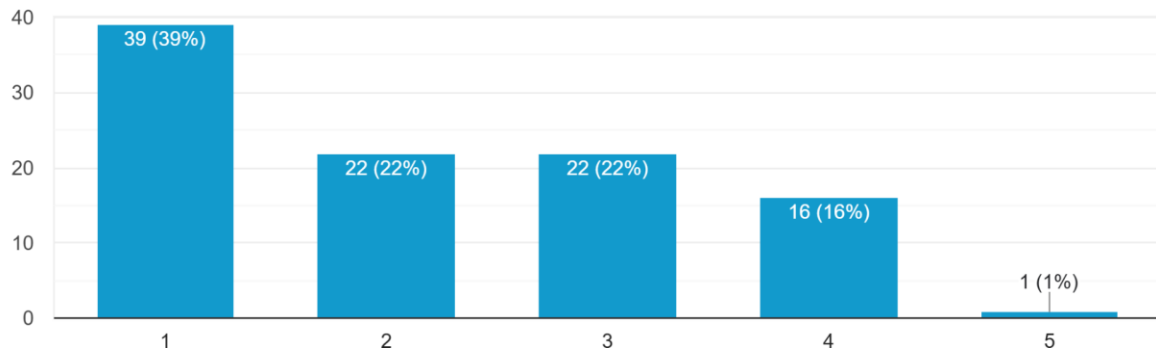
How often do you execute trades based on these AI-generated recommendations?

100 responses



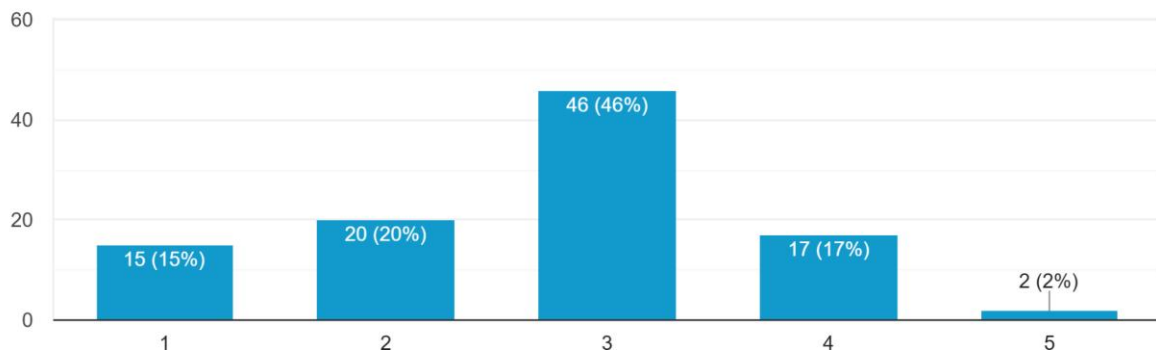
How often have you adjusted your portfolio based on AI recommendations?

100 responses



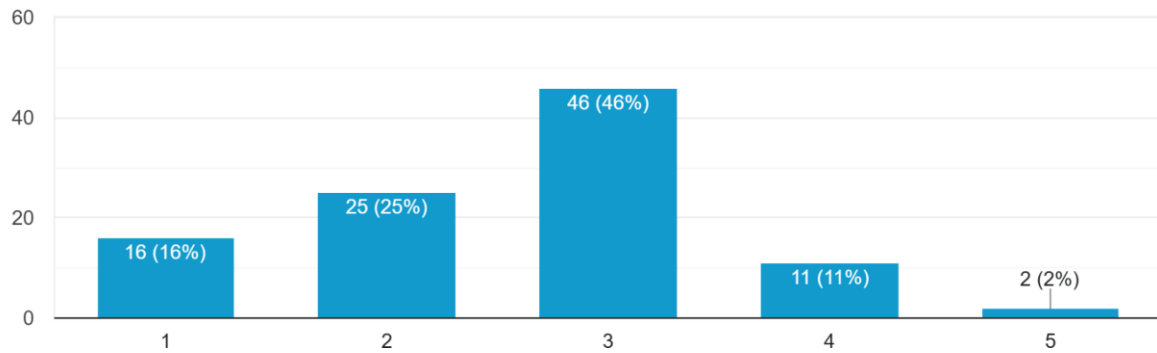
AI-generated investment strategies are accurate.

100 responses



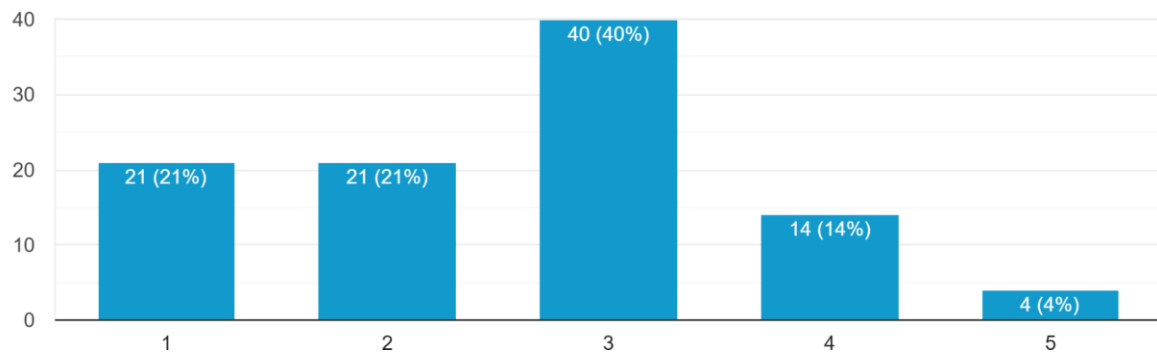
AI-generated recommendations are reliable for investment decisions.

100 responses



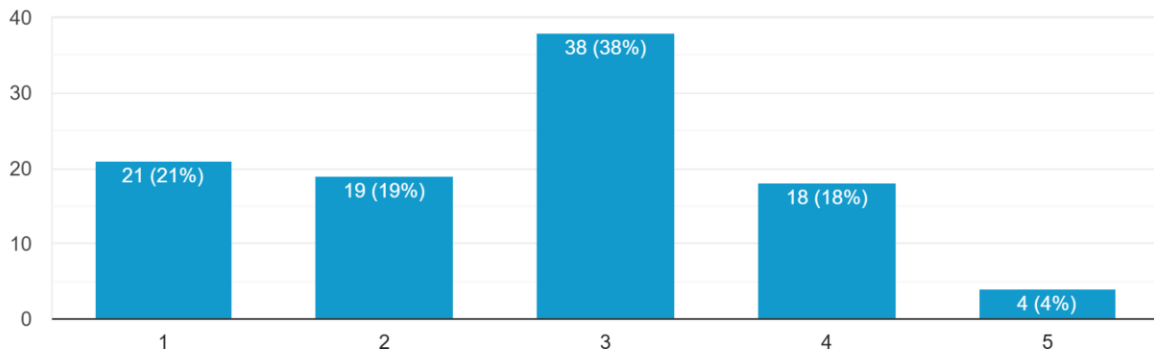
Using AI-generated strategies increases my confidence in making investment decisions.

100 responses



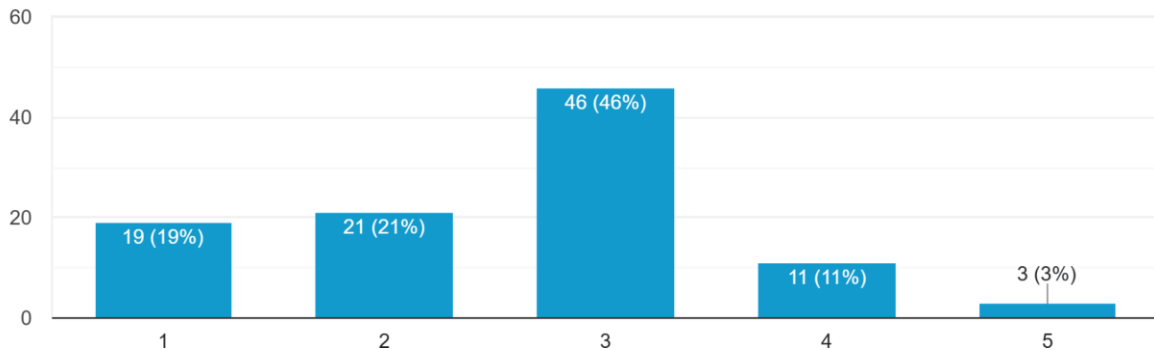
I feel more assured about my investment choices when I consult AI tools/platforms.

100 responses



I trust AI-generated investment recommendations.

100 responses



Independent Variables

Independent Variable 1 (H1): Application of AI-Generated Investment Strategies.

This variable is used to refer to the degree to which AI generated investment strategies are used by the retail investors in their investment activities.

Operational definition:

- The rate at which AI-generated investment strategies are used to do investment research.
- Use purpose (idea generation, confirmation, portfolio analysis, etc.)

Measurement:

The measured items were those in Likert-scale questions and frequency-based questionnaire items in Section C of the survey.

Independent Variable 2 (H2): Perceived Correctness of AI-Generated Investment Strategies.

This variable reflects the perception of retail investors in terms of the validity and accuracy of AI-based investment strategies.

Operational definition:

- AI-generated recommendation perceived accuracy.
- Trustworthiness of AI-based information.

Measurement:

Respondent measured in terms of Likert-scale items in Section D of survey.

Dependent Variables

Dependent Variable 1 (H1): Investment Decision-Making Behaviour.

This variable is visible investment behavior that is affected under AI-based strategies.

Operational definition:

- Implementation of trading under AI recommendations.

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- AI-created strategies used to make portfolio adjustments.
- Probability of taking action on artificial intelligence-produced recommendations.

Measurement:

The measured items were measured using behavioural items, Likert scale items in Section F.

Dependent Variable 2 (H2): Investor Confidence

This variable is used to indicate the degree of confidence that the retail investors have in their investment decision-making process.

Operational definition:

- Trust when making investment decisions.
- Confidence in investment decisions following AI-generated plans.

For H1:

Results

Linear Regression

Model Summary - H1 Dependent Variable, Investment Decision-Making Behaviour.

Model	R	R ²	Adjusted R ²	RMSE	R ² Change	df1	df2	p
M ₀	0.000	0.000	0.000	1.054	0.000	0	99	
M ₁	0.461	0.212	0.204	0.941	0.212	1	98	< .001

Note. M₁ includes H1 Independent Variable Application of AI-Generated Investment Strategies

ANOVA

Model		Sum of Squares	df	Mean Square	F	p
M ₁	Regression	23.37	1	23.365	26.41	< .001
	Residual	86.69	98	0.885		
	Total	110.06	99			

Note. M₁ includes H1 Independent Variable Application of AI-Generated Investment Strategies

Note. The intercept model is omitted, as no meaningful information can be shown.

Coefficients

Model		Unstandardized	Standard Error	Standardized	t	p
M ₀	(Intercept)	2.620	0.105		24.849	< .001
M ₁	(Intercept)	1.715	0.200		8.589	< .001
	H1 Independent Variable Application of AI-Generated Investment Strategies	0.380	0.074	0.461	5.139	< .001

Descriptives

	N	Mean	SD	SE
H1 Dependent Variable, Investment Decision-Making Behaviour.	100	2.620	1.054	0.105
H1 Independent Variable Application of AI-Generated Investment Strategies	100	2.380	1.277	0.128

H1 Regression Results Interpretation.

The linear regression analysis task was to analyze how the utilization of the AI-generated investment strategies (independent variable) and the investment decision-making behavior (dependent variable) are related.

Coefficient of Determination (R^2)

The model produced a value of 0.212 as the R^2 value, which means that **21.2 percent of decision-making behaviour by investors can be explained by the use of AI-based investment strategies.**

This finding means that the application of AI tools substantiates a significant amount of the differing in the investment decisions that investors make, but all of the variation (**78.8 percent**) **has been explained by other determinants, such as investor experience, market knowledge, risk tolerance, market conditions, and external financial advice.**

58 The value of Adjusted R^2 0.204 also supports the fact that the model also maintains a similar level of explanatory power when sample size and predictor variables have been taken into consideration indicating that the model is not unstable and overfitted.

14 On the whole, these results suggest an average explanatory effect of AI-based investment strategies on the decision-making behavior of investors.

19 62 The findings of the regression indicate how the use of AI-generated investment strategies has a great impact on the decision-making behavior of investors.

The model provided a statistically significant effect on the way investors make their decisions, which is confirmed by $R^2 = 0.212$ and $p = 0.001$, albeit other variables also play a role in this phenomenon.

H2 Regression Results Interpretation.

Linear Regression

Model Summary - H2 Dependent Variable, Investor Confidence

Model	R	R ²	Adjusted R ²	RMSE	R ² Change	df1	df2	p
M ₀	0.000	0.000	0.000	1.119	0.000	0	99	
M ₁	0.530	0.281	0.274	0.954	0.281	1	98	< .001

Note. M₁ includes H2 Independent Variable, Perceived Correctness of AI-Generated Investment Strategies.

ANOVA

Model		Sum of Squares	df	Mean Square	F	p
M ₁	Regression	34.81	1	34.811	38.28	< .001
	Residual	89.13	98	0.909		
	Total	123.94	99			

Note. M₁ includes H2 Independent Variable, Perceived Correctness of AI-Generated Investment Strategies.

Note. The intercept model is omitted, as no meaningful information can be shown.

Coefficients

Model		Unstandardized	Standard Error	Standardized	t	p
M ₀	(Intercept)	2.160	0.112		19.305	< .001
M ₁	(Intercept)	0.475	0.289		1.646	.103
	H2 Independent Variable, Perceived Correctness of AI-Generated Investment Strategies.	0.642	0.104	0.530	6.187	< .001

Descriptives

	N	Mean	SD	SE
H2 Dependent Variable, Investor Confidence	100	2.160	1.119	0.112
H2 Independent Variable, Perceived Correctness of AI-Generated Investment Strategies.	100	2.623	0.923	0.092

In order to test the hypothesis of the relation between the perceived correctness of AI-generated investment strategies (independent variable) and investor confidence (dependent variable), a linear regression analysis was carried out.

R² (Coefficient of Determination)

The regression model gave a R² of 0.281. This finding shows that the perceived correctness of AI-generated investment strategies explains 28.1 percent of the variation in investor confidence. In practice, this implies that those investors who perceive AI-based recommendations as more precise or trustworthy are more confident in their investment choice.

Even though this constitutes a middle-range explanatory power, the other 71.9 percentage of the variation in investor confidence must be due to other factors e.g. personal experience in investment, financial literacy, market situation, personal risk inclination and external financial advice.

The Adjusted R2 of 0.274 indicates a very minimal decrease in the R2 value indicating that the model is not unstable and therefore the explanatory power is not being artificially boosted.

7 In general, it can be concluded that the model shows that the perceived correctness of AI-driven investment strategies is a significant factor that can influence investor confidence.

The regression analysis shows that the perceived correctness of AI-generated investment strategies positively influence investor confidence statistically significantly. The results have indicated a significant contribution of the perceptions of AI accuracy to the confidence of investors in making financial decisions as the R2 value of 0.281 was below 0.001. Thus, Hypothesis H2 is accepted, which indicates that the investor confidence will grow when they believe that the investment strategies developed by AI are valid and correct.

H1 and H2 Regression Results Combined.

38 Two linear regression models were performed in order to investigate the impact of AI-generated investment strategies on retail investors. The former model has tested the association between the utilization of AI-generated investment strategies and investment decision-making behavior (H1), and the latter formulated the association between perceived correctness of AI-generated strategies and investor confidence (H2).

9
23 In the case of Hypothesis 1, the regression model gave a high R2 of 0.212, which revealed that around 21.2 percent of the variance in investment decision-making behavior can be attributed to using AI-generated investment strategies. This is an indication that AI tools play a significant role in the decision-making processes of investors but a significant percentage of decision-making patterns depends on other aspects of the market, investor experience, financial

30 literacy, and risk preferences. The regression model had a statistically significant relationship, $p=0.001$, and this shows that the relationship between the AI usage and the investment decision-making behavior is not dependent on chance.

60 Thus, the results allow assuming that Hypothesis 1 is supported and proves that AI-advanced strategies have a strong impact on investor decision-making behavior.

In the case of Hypothesis 2, the regression analysis tested the relationship between perceived correctness of AI-generated investment strategy and investor confidence. The model gave an R^2 value of 0.281, which implies that 28.1 of the difference in investor confidence was due to investors having the perceptions of whether AI-generated investment strategies are right or wrong. It means that as soon as investors believe that AI-based recommendations are accurate and trustworthy, their belief in their own ability to make investing choices goes up. Just like H1, the model had a significant statistical value of $p\text{-value} = 0.001$, which proves that the association between the perceived correctness of AI recommendations and investor confidence is statistically significant.

9 In general, the regression results indicate that AI-based investment strategies affect not only behavioral but also psychological factors of making investment decisions. Although direct impact of using AI tools on investors decision making behavior can be noted, the perceived accuracy of AI recommendation has a major impact on improving investor confidence.

CHAPTER 7: FINDINGS AND RECOMMENDATIONS

7.1 Key Findings

The combination of qualitative and quantitative results leads to the following main findings:

1. The focus of AI tools is not on making financial decisions but on serving as cognitive efficiency tools, where they can cut down time and effort needed for financial research, portfolio screening, and even the generation of investment ideas.
2. The trust in strategies generated by AI is contingent and moderated by verification behaviour. Investors systematically compare the outputs of AI across various sources and only take action when they agree.
3. H1 is supported by the positive and significant relationship between the use of AI and investment decision making behaviour as indicated by the $R^2 = 0.212$ ($p < 0.001$).
4. People who use AI more frequently are more likely to make trades and tweak their portfolios. The perceived accuracy of AI is positively and significantly related to investor confidence ($R^2 = 0.281$, $p < 0.001$), supporting H2.
5. Investors who feel the AI recommendations are correct are more likely to be decisive and have confidence in their investments.
6. Full reliance on AI has been limited by risk perception, as it serves as a moderating factor. In the times of volatility, uncertainty and geopolitical sensitivity, human judgment is paramount.
7. There is a lack of a radical mindset when it comes to adopting AI, and it is not changing the way investors operate. Strategic philosophies are not influenced by tactical decisions. Retail investors are open to buying AI-powered investment platforms ranging from ₹300 to ₹10,000 per month for specific, precise, and customised tools.

7.2 Recommendations

7.2.1 For Fintech Developers and Platform Designers

- Focus on transparency and explainability of AI models — Communicate to the user the data sources, assumptions and limitations behind the AI-generated recommendations in order to foster a calibrated and sustainable level of trust.
- Create AI-in-der-Mittel interfaces that empower humans to make investment decisions, but allow for the assistance of an AI research partner.
- Focus on personalisation, forecasting models and ratio-based screening tools that experienced investors are most interested in.

7.2.2 For Financial Regulators and Policymakers

- Set disclosure rules for AI-driven investment platforms to effectively communicate their algorithmic capabilities, data currency, and confidence intervals for recommendations.
- Enhance investor education initiatives aimed at retail investors to raise awareness of the benefits, limitations, and proper application of AI-driven investment strategies.

7.2.3 For Retail Investors

- Use AI tools as part of a larger research process and not as a set answer.
- Use the right tools: Be aware of the limitations of AI, such as its dependence on past data and inability to factor in sudden changes in market sentiment and geopolitical events.
- Gain the ability to work independently to supplement AI support, especially in risk assessment and decision finalization.

CHAPTER 8: LIMITATIONS OF THE STUDY

As with all research studies, this study has some limitations that should be kept in mind when drawing inferences from the results and when implementing the conclusions.

1. **Sample Size and Generalisability:** The quantitative survey included 100 respondents and the qualitative survey included 6–8 in-depth interviews. The sample sizes are appropriate for the MBA dissertation level but are too small to draw general conclusions about the retail investor population.
2. **Convenience and Purposive Sampling:** Participants were recruited through personal networks and online communities, which may lead to self-selection bias. There could be a sample bias if respondents are overrepresented who are highly engaged with AI tools.
3. **Self-Report Bias:** both quantitative and qualitative instruments use self-reported data. Investors may not remember clearly or even be aware of the extent to which AI is a part of their decisions, and may either underestimate or overestimate the role of AI in their decisions.
4. **The 4th Design: Cross-Sectional Design** is a design that gathered data at one single time. The impact of AI on investors' behaviour and confidence could potentially change over time, and future studies could be conducted over a longer period to offer deeper insights.
5. **Gender Bias:** The study was conducted in India, which is a male-dominated retail investor market. The results obtained might not be directly transferable to other investors in different regulatory, cultural and technological settings.
6. **Fast-Paced Technology:** The generative AI field is undergoing fast evolution. Results can be altered with the advancement of AI tools, regulations, or their prevalence.

CHAPTER 9: CONCLUSION

46 In this paper, the authors studied the effect of AI-driven investment strategies on the retail investor. Decision making behaviour, level of trust and confidence in investments. With the widespread adoption of artificial intelligence in the financial markets, it is the retail investors who have become more dependent on AI-based solutions that simplify the process of data analysis, provide investment recommendations, and create insights on the portfolio. The main aim was to explain the effect of the technologies on the behaviour and psychological results of the investors. 3 In accordance, a mixed-method approach was chosen using qualitative interviews and quantitative analysis of the survey to help grasp a holistic view of the perceptions of investors and provide the opportunity to test the connections between the most important variables in a statistical way.

61 The qualitative aspect provided some substantive information on the application of AI tools by investors in actual investment settings. The semi-structured interview process with the retail investors indicated that there were some emergent themes as regards to the role of AI in investment research and decision-making. Most of the participants stated that they have used AI applications like ChatGPT, Gemini, robo-advisor applications, and investing applications to help in the market research, portfolio review, and data collection. AI was more often characterised by investors as an expansionary tool, not a replacement decision-maker, and focused on its ability to improve on the efficiency of research by summarizing large volumes of financial data and identifying market trends.

One of the key conclusions of the qualitative analysis was the fact that investors do not frequently act on AI finding only. They would prefer to verify any insights derived from AI with other sources like financial news, corporate reports, and other analytical tools. Numerous interviewees have stated that although AI is useful in terms of handling huge numbers of financial data, human judgment cannot be ignored, especially when the markets are unstable or when there is a lack of the geopolitical environment. The findings show that investors believe artificial intelligence (AI) is a tool that can assist them with the current approach to investing and not take the place of it. There was also a strong theme about the perceived accuracy and reliability of AI systems as influential factors of investor trust. The respondents reported that the

correspondence of the AI-generated recommendations with the personal research or credible data sources was a great contributor to confidence in investment choices. On the other hand, investors were more likely to rely on their judgment in the case of AI outputs seemed too generic or were not empirically supported. This observation highlights the importance of transparency, accuracy, and contextual awareness in AI-powered financial products as being of the utmost importance. It was also found in the qualitative evidence that AI helps in portfolio diversification and strategic placement of assets.

A number of respondents have cited the use of AI solutions in assessing the performance of sectors, predicting possible returns, as well as discovering new areas of investments. However, members tended to be cautious about such tools, claiming that the AI-generated predictions are to be combined with the larger market factors and maintained in relation to the specific financial goals and value systems.

The given qualitative insights were supported by a quantitative analysis according to which the relationships between AI utilization, investor confidence, and investment decision-making behavior were statistically analyzed.

The hypothesis was tested with the help of linear regression.

7 The initial hypothesis (H1) was a test of the correlation between the use of AI-based investment strategy and investment decision-making behavior. The regression provided an R^2 of 0.212, 9 which suggests that about 21.2% of the variance in the investment decision-making behavior is predicted by the usage of AI-generated strategies. The model proved to be statistically significant (p based on 0.001), which confirms the fact that the application of AI has a significant impact on 65 decision-making. These findings indicate that AI devices are significant in determining the way investors interpret market data, opportunities, and decision-making. However, the low R^2 , also denotes that other factors like, the experience of investors, financial literacy, and market conditions also remain to have an impact.

17 The second hypothesis (H 2) was a test of the connection between the perceived accuracy of AI-generated investment strategies and investor confidence. The regression delivered a 0.281 R 2 value, which suggests that 28.1 percent of investor confidence variation is explained by the beliefs about AI accuracy. This correlation was also statistically significant ($p < 0.001$) like in the case of H1. The positive regression coefficient showed that the perceived the accuracy of AI recommendation is positively correlated with investor confidence. These results clarify the fact that trust is a critical factor in determining the accuracy and dependability of AI-based information in determining confidence in financial decision-making.

40 In the derivation of both qualitative and quantitative results, a logical trend can be seen in the way the artificial intelligence is affecting the behavior of a retail investor. Qualitative evidence shows that AI tools are actively integrated into research procedures whereas quantitative evidence shows that the use of AI has a significant effect on the behaviour of investment and self-confidence. All these findings indicate that AI-generated investment strategies are becoming an important part of modern retail investment.

However, as the paper proves, AI does not replace human judgment when making decisions. Instead, investors consider AI to be an analytic support tool, which helps them work with large amounts of financial data more efficiently, to spot new opportunities, and automate the research process. Human abilities of intuition, experience, and situational learning will never be replaced in the process of risk evaluation and ultimate investment.

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ANNEXURES

Research Instruments:

Qualitative Questionnaire:

Personal Interview Guide (20–25 Minutes)

Study: AI-Generated Investment Strategies & Retail Investor Decision-Making

Section 1: Background & Investment Context (Warm-up – 3–4 mins)

1. Can you briefly describe your investing journey and how long you've been investing?
2. What types of investments do you usually engage in (stocks, funds, crypto, etc.)?
3. How would you describe your investment style — active, long-term, experimental, cautious?
4. What sources of information do you typically rely on before making investment decisions?

Section 2: AI Tool Usage (Core Variable – Use of AI Strategies) (5–6 mins)

- Have you used any AI-based tools for investment-related purposes? If yes, which ones?
- How often do you use AI-generated strategies when researching investments?
- At what stage of your decision process do you use AI tools — idea generation, confirmation, final decision, or execution?
- Can you walk me through a recent investment decision where you used an AI-generated strategy?
- Do you typically follow AI recommendations directly, modify them, or use them only as reference points?
- Have there been situations where you deliberately chose not to rely on AI-generated strategies? Why?

Section 3: Perceived Accuracy & Evaluation (H2 Independent Variable) (4–5 mins)

- How do you evaluate whether an AI-generated investment recommendation is accurate or reliable?

- Have you experienced instances where AI-generated strategies performed better than your expectations?
- Have you experienced instances where AI recommendations were inaccurate or misleading?
- What factors increase or decrease your confidence in the accuracy of AI-generated strategies?
- Do you believe AI tools understand market risks as well as human analysts? Why or why not?

Section 4: Investor Confidence (H2 Dependent Variable) (4–5 mins)

- How does using AI-generated investment strategies affect your confidence when making decisions?
- Do you feel more decisive when you consult AI tools?
- Would you feel equally confident making investment decisions without AI tools? Why?
- Has your confidence in your own investment ability changed since you started using AI tools?

Section 5: Behavioural Impact (H1 Dependent Variable) (3–4 mins)

- Have you executed trades directly because of AI-generated recommendations?
- Have AI-generated strategies influenced how you allocate or rebalance your portfolio?
- Overall, would you say AI tools change how you behave as an investor, or do they simply support existing habits?

Section 6: Reflection & Future Orientation (Closing – 2–3 mins)

- Do you see yourself relying more or less on AI-generated strategies in the future?
- In your opinion, what are the main risks of relying on AI in investing?
- If AI tools disappeared tomorrow, how would your investment decision process change?

Quantitative Questionnaire:

1. What is your age group?
2. What is your highest level of education?
3. How many years have you been investing?
4. What types of assets do you primarily invest in?
5. Which AI-based tools/platforms do you use?
6. How often do you use AI tools/platforms for investment research?
7. For what purpose do you use AI-generated strategies most?
8. How often do you execute trades based on these AI-generated recommendations?
9. How often have you adjusted your portfolio based on AI recommendations?
10. AI-generated investment strategies are accurate.
11. AI-generated recommendations are reliable for investment decisions.
12. Using AI-generated strategies increases my confidence in making investment decisions.
13. I feel more assured about my investment choices when I consult AI tools/platforms.
14. I trust AI-generated investment recommendations.

Signature of Guide: _____

Signature of Dissertation-in-Charge: _____

Date: _____