UNIVERSITI TEKNOLOGI MARA

DETERMINANTS OF INTENTION TO USE ROBO-ADVISORY INVESTMENT: MODERATING ROLE OF FINANCIAL LITERACY

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ABSTRACT

Investment selection is increasingly crucial, gaps remain in research on robo-advisor usage in Malaysia, particularly among active users and studies incorporating financial literacy as a moderator. This study applies the Unified Theory of Acceptance and Use of Technology (UTAUT), to examine performance expectancy, effort expectancy, social influence, and facilitating conditions, with financial literacy moderating their effects on intention to use robo-advisors. The primary objective of this study is to investigate the intention to use robo-advisory investment among investors in Malaysia. This quantitative study targets Malaysian investors aged 18 to 45 with diverse experience in digital investing, employing purposive sampling. A total of 267 valid responses were collected via online surveys and analysed using the Statistical Package for the Social Sciences (SPSS) and the Structural Equation Modelling-Partial Least Squares (PLS-SEM). The analysis supports five of seven hypotheses, offering insights into factors influencing robo-advisor adoption within the Malaysian context. The commonly applied critical values for significance levels of 0.05 and 1.645 for the one-tailed test were used. The analysis indicates that performance expectancy, social influence, and favourable situations significantly enhance the intention to utilise robo-advisors, while effort expectancy exhibits negligible effect. Financial literacy enhances the beneficial impacts of performance expectancy and social influence on intention, although it does not affect the tenuous connection between effort expectancy and intention. These findings indicate that performance expectancy and social influence are more influential than effort expectancy in facilitating robo-advisor adoption among investors. This study elucidates the determinants affecting investors' utilisation of robo-advisors and underscores the moderating influence of financial literacy. It provides a robust research framework and pragmatic insights for financial institutions, policymakers, and scholars in Malaysia. Future research should investigate continuation intention by integrating supplementary pertinent aspects that correspond with contemporary challenges in robo-advisory adoption.

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CHAPTER 1
INTRODUCTION

1.1 Chapter Description

In this challenging economic environment, the behavioural study of investing activities─whether conducted by novice investors or experienced portfolio managers─is an essential aspect of making informed financial decisions. Consequently, it can significantly influence a nation's overall economic growth and financial stability. Given its far-reaching positive impact, investment decision-making is a fundamental component of economic prosperity. The importance of selecting appropriate investment strategies cannot be overstated, as it profoundly influences individuals' ability to safeguard and grow their wealth, achieve long-term financial objectives, and navigate the ever-evolving global financial landscape.

Various investment instruments can be selected, including unit trusts, stocks, bonds, and others. The present advancements in digital investment have created opportunities for investors to consider utilising those platforms. Given the ongoing trends whereby banks or investment providers consistently reduce the scale of their physical advice operations, apart from catering to high net-worth individuals, one of the digital financial instruments─known as robo-advisors, is emerging as the sole channel for individuals with average or below-average income to engage in financial investment (Jung et al., 2018). It is evident that using robo-advisory platforms in the form of unit-trust digital investments offers investors a range of benefits and enhanced convenience (Yi et al., 2023).

Overall, this chapter presents the necessary background and problem statements that emphasise the topics under investigation. This chapter also delineates the scope of the study, elucidates the objectives and critical terminology pertinent to the current investigation, and outlines the study's organisation.

1.2 Overview of the Financial Technology (Fintech)

In this challenging era, digital financial literacy is poised to emerge as a significant driver of economic growth for the nation. The Malaysia Digital Economic