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DIGITALIZATION OF FINANCIAL ADVISORY THROUGH ROBO-ADVISORS

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Robo-advisors are algorithmic platforms that provide automated financial advice and investment management services. The emergence of robo-advisors is due to the need for readily accessible financial advice; robo-advisors have garnered much attention because of their cost-efficiency and convenience. These platforms analyze individuals' risk tolerances and financial objectives to create tailored investment strategies, thereby providing access to financial management for a broader demographic (Bonelli & Dongul, 2023).

The adoption of robo-advisors in Malaysia is on the rise, with a notable surge in registrations, especially during the COVID-19 pandemic (Nguyen et al., 2023). This trend reflects an increasing desire for this innovative approach to wealth management. Gan et al. (2021) highlighted that robo-advisors, such as Savings2u, have been established in Malaysia with the goal of not only promoting wealth building among the public but also raising financial literacy, thereby improving savings and investment practices.

Table 1 shows the comparison between the robo-advisors in Malaysia that are licensed by the Securities Commission Malaysia.

Table 1
The licensed robo-advisors in Malaysia

Robo-Advisor	**Min. Investment (RM)**	**Shariah-Compliant**	**Investment Strategy**	**Fees (Annual)**	**Platform Type**
StashAway	0	Not fully	ERAA model using global ETFs	~0.2%–0.8%	App & Web
Wahed Invest	100	Yes	Halal ETFs (US/MY), gold, sukuk	~0.39%–0.79%	App
MyTHEO	100	No	Growth, Income, Inflation Hedge portfolios via global ETFs	~1.0% (tiered)	App & Web
Raiz Malaysia	5	Some shariah funds	Rounds-up spare change into ASNB unit trusts	RM1.50/month (<6k), 0.3% (>6k)	App
Kenanga KDI Invest	250	No	AI-driven portfolios using US ETFs	Free (≤3k), 0.3%–0.7% (>3k)	App
Akru	500	No	Goal-based global investing	~0.7% (est.)	App & Web
FSM MAPS (iFAST)	1,000	Some available	Model portfolios with human	~0.5%–1.0% (depends on fund	Web

			advisory	choice)	
UOBAM Invest	Varies	No	Managed by UOB Asset Management	Not disclosed publicly	Web

One of the primary benefits of robo-advisors is their cost efficiency. By automating the investment process, these platforms significantly reduce fees, making professional financial advice accessible to individuals who might not otherwise afford such services. Furthermore, robo-advisors offer unparalleled accessibility and convenience; their user-friendly digital interfaces enable clients to effortlessly manage investments, benefit from services like automatic rebalancing, and make real-time adjustments to portfolios (Salo-Lahti, 2022). Moreover, the algorithmic basis of these platforms minimizes human biases and errors, potentially leading to more disciplined and consistent investment strategies (Waliszewski & Zięba-Szklarska, 2020). Robo-advisors provide a legitimate option for individuals seeking investment guidance, particularly those who are concerned about the possibility of investment scams (Brenner & Meyll, 2020).

However, their acceptance among consumers has been sluggish because of their lack of confidence in banks and their demand for transparency (Jung et al., 2018). In reality, robo-advisors have several limitations. They struggle to fully address complex financial planning needs such as tax or estate planning or tax strategies, which usually require the judgment of human advisors. Furthermore, these platforms rely heavily on historical data and algorithmic models, which may not predict future market conditions accurately, potentially leading to suboptimal investment decisions during economic anomalies or crises (Bonelli & Dongul, 2023).

Data security is another significant concern, as breaches could undermine user trust and the integrity of the services provided (Waliszewski & Zięba-Szklarska, 2020). The integration of regulatory advancements is essential for the ongoing success and acceptance of robo-advisors. Regulatory frameworks must evolve to not only keep pace with technological advancements but also ensure these innovations operate within a structure that protects consumers. Salo-Lahti (2022) emphasizes the importance of addressing regulatory challenges to enable robo-advisors to provide easy-to-use, cost-effective, and flexible services. As these digital platforms become more prevalent, it becomes imperative that they adhere to strict standards of transparency and accountability to prevent misuse and protect end-user data.

In the future, the robo-advisor industry will continue to evolve through innovation and growth, addressing the current limitations. Personalization of the platforms would be enhanced to cater for more complex financial scenarios. Better still, hybrid models are being developed to combine the efficiency of robo-advisors with the insight of human advisors, thus offering more comprehensive services that will benefit both the human advisors and clients. The adoption of these technologies could bridge the current gap between automated financial advice and the personalized touch provided by human advisors, thereby transforming the landscape of personal financial management.

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