

Response letter to ESMA's call for evidence on the retail investor journey.

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We have recently conducted a survey amongst the Chinese population on their intention to adopt robo-advisor investment services. This type financial technology that has the potential to increase stock market participation, therefore understanding what affects the decision of consumers to adopt robo-advisors is crucial in increasing participation and financial inclusion.

We strongly feel that facets of this study that investigate the effect of behavioral norms and biases on the intention to adopt robo-investment advisors, are particularly relevant for this call as the technology is effectively the most important tool in increasing retail participation in the stock market.

Our study investigates key behavioural and technological factors that shape retail investors' willingness to engage with Robo-advisors. Through a nationally representative survey of 1,277 adults in China, the research assesses the role of financial literacy, financial confidence, numeracy skills, trust, and technology acceptance in influencing investment intentions. Methodologically, the study employs logistic regression models, interaction effects, and Shapley value decomposition to identify and quantify the primary drivers of participation intention.

While the empirical setting is China, the study focuses on fundamental human behavioural factors—financial literacy, trust, risk aversion, and technology acceptance—that are not country-specific. Understanding how these cognitive and psychological traits create non-regulatory barriers is crucial for exploring retail investor hesitancy in any modern capital market, including the EU. We present these findings to offer a behavioural science perspective on the questions raised by ESMA.

The study is co-authored with Dr Udichi Bose of Essex Business School, University of Essex, UK, Dr Mengyu Zhang of Sheffield University Management School and Dr Yuan Feng of Essex Business School. The research paper is available by the authors and on SSRN.

Below, I summarise key findings to address the specific questions posed in **Section 3.1** of the Call for Evidence.

Q1: What are the key reasons why many retail savers choose not to invest in capital markets and instead keep their savings in bank deposits? Please explain and provide practical examples, or evidence drawn from experience, where available.

Based on a nationally representative survey of 1,277 Chinese adults aged 18-60, our research identifies several key behavioural, demographic, and psychological barriers that explain why many retail savers opt to retain their money in bank deposits rather than invest in capital markets.

Low Financial Literacy and Numeracy: Our data show that low levels of financial literacy are strongly associated with reluctance to invest. Respondents with a weaker understanding of basic financial principles (e.g., compound interest, inflation, and diversification) were less confident in managing their money and more inclined to keep savings in traditional bank accounts. This relationship is further mediated by low financial confidence and numeracy, two behavioural variables that influence perceived capability and comfort with investment decisions. This finding is highly consistent with the European landscape, where the 2023 Eurobarometer survey found that only 18% of EU citizens possess a high level of financial literacy.

Risk Aversion and Trust Deficit: Our findings show powerful, complex interaction effects when exploring investors' cognitive and psychological traits. For individuals with high financial literacy, the intention to use Robo-advisors is weakened by low risk tolerance. This suggests that knowledgeable but cautious individuals are particularly hesitant. Trust was another crucial moderating factor. Knowledgeable investors with lower levels of general trust reported lower likelihoods of using digital investment services, underscoring how trust deficits act as a psychological barrier to engagement.

Preference for Simplicity and Familiarity: Many retail savers perceive capital market investments as complex and cognitively demanding. In contrast, bank deposits are viewed as simple, low-maintenance, and secure. Our survey data suggest that many retail investors, particularly those with lower technology acceptance scores, prefer financial products perceived as straightforward and easy to use. This is especially true for older demographics or individuals with low technology acceptance scores. The phenomenon of holding savings in deposits is a well-documented EU issue. In particular, Euro area households hold 31% of their financial assets in currency and deposits, significantly higher than in the US (21%).

Cultural and Habitual Factors: China's historically high household saving rate reflects a deep-seated cultural preference for caution and financial conservatism. This behavioural norm, coupled with intergenerational financial habits, reinforces a reliance on bank deposits. Our research supports this: married individuals and those with more financial dependents are more

likely to avoid risky investments, likely due to perceived family obligations and aversion to financial losses.

Accessibility Gaps and Digital Divide: While digital financial tools like Robo-advisors have lowered some entry barriers, many retail investors, especially those living in rural areas or with lower education levels, face significant digital literacy gaps. This limits their ability to engage with capital markets, even when cost-effective and low-risk investment tools are available.

General Trust and Confidence Deficit: Some respondents demonstrated low overall trust in others or institutions, influencing their engagement with automated investment services like Robo-advisors. Our logit model confirms that individuals with higher general trust and financial confidence are significantly more likely to express willingness to invest via Robo-advisors, highlighting that interpersonal and institutional trust plays a critical role in participation decisions.

Overall, our study demonstrates that behavioural, cognitive, and cultural barriers, such as risk aversion, low financial literacy, and trust deficits, are critical in explaining why many retail savers refrain from participating in capital markets. Addressing these barriers through targeted financial education, improved accessibility, and inclusive digital tools is essential for enhancing retail investor participation.

Q2a: To what extent do retail investors find investment products too complex or difficult to understand?

Answer: A moderate concern, but not the main factor

Our research findings can, to some extent, reflect that product complexity is a moderate concern for retail investors, though it does not appear to be the primary reason for non-participation. From patterns in behavioural indicators, it can be inferred that some investors may perceive investment products as complex or difficult to understand, and this concern is more prevalent among individuals with lower levels of financial literacy or technology acceptance.

For example, our data show that respondents with low financial literacy and numeracy scores were significantly less likely to express an intention to use investment platforms like Robo-advisors. Similarly, individuals with low technology acceptance were less willing to engage with algorithm-based investment tools, which is often due to reasons such as unfamiliarity or perceived difficulty.

However, our regression analysis reveals that other factors, such as risk aversion, lack of

trust, and low financial confidence, play a more dominant role in shaping investment intentions. In particular, risk-averse individuals or those with multiple financial dependents are less likely to invest not simply because the products are complex, but more due to broader psychological and contextual barriers.

Therefore, although product complexity is not negligible and may affect a subset of retail investors, it is best understood as a contributing factor rather than a decisive one.

Q2b: For consumer associations: Based on your interaction with retail investors, are there particular types of investment products or product features that retail investors find especially difficult to understand? Please explain and provide practical examples, or evidence drawn from experience, where available.

Our research highlights that complexity tends to be especially challenging for retail investors when investment products include abstract risk-return trade-offs or require multi-step decision-making. In particular, algorithm-driven investment services, such as Robo-advisors, are perceived as difficult to understand by investors with low technology acceptance or limited digital literacy. These platforms often present recommendations based on algorithms or portfolio simulations, which can reduce transparency for users unfamiliar with such tools and may also lead to a lack of understanding about how such products function.

Additionally, features such as dynamic portfolio rebalancing, automatic risk profiling, or goal-based investment strategies can be confusing for users who lack experience in financial planning. Many retail investors prefer products with clearly defined terms and visible returns—features often associated with bank deposits or simple fixed-income options.

Besides, respondents with lower financial literacy were less likely to grasp the implications of diversification or long-term compounding, which may limit their understanding of more structured investment products such as ETFs, mixed-asset funds, or retirement accounts that rely on such principles.

Overall, the types of products or features that appear particularly difficult to understand include:

- Algorithm-based decision-making processes (e.g., in Robo-advisors)
- Automated risk profiling and rebalancing mechanisms
- Products that rely heavily on abstract financial concepts like diversification and compounding

To improve accessibility, simplification of these features through visual aids, transparent explanations, and investor education tools may be necessary, particularly for first-time or digitally inexperienced investors.

Q3: Do past experiences with low or negative returns significantly affect retail investors' willingness to invest again? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

Answer: Somewhat, but other factors (e.g., trust, risk appetite) play a bigger role

Our study suggests that while past experiences with poor returns may have some impact on future investment willingness, they are not the most influential factor. We did not directly measure respondents' prior return history, but our regression results show that behavioural factors such as general trust, risk aversion, and financial confidence have a stronger and more consistent association with investment intentions.

For example, individuals with high level of risk aversion or low financial confidence were significantly less likely to express willingness to use Robo-advisors, regardless of demographic characteristics. Similarly, general trust—a behavioural proxy for previous interpersonal or institutional experience—emerged as a significant predictor in our models.

This implies that although disappointing investment outcomes may contribute to caution or hesitation, they tend to interact with deeper cognitive and emotional dispositions. More specifically, our finding of general trust and risk aversion suggests that an investor's underlying disposition is a more powerful determinant of future intent than any single recent event. This is consistent with the well-established behavioural principle of loss aversion, where the psychological impact of a loss is felt more strongly than that of an equivalent gain.

Therefore, while past poor returns may discourage some investors to a limited extent, our findings suggest that sustained engagement with capital markets depends more on building trust, improving financial literacy, and addressing psychological barriers than on overcoming prior performance alone.

Q4a: Do high fees and costs discourage retail investors from participating in capital markets? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

Answer: Somewhat, but investors consider other factors as well

Despite not having a variable specifically designed to measure fee sensitivity, our survey findings suggest that cost is one of several factors influencing retail investors' participation decisions—particularly when considered alongside behavioural and informational barriers (van Rooij et al., 2011; Guiso et al., 2008). Even in low-cost settings, behavioural constraints can remain the dominant influence (Choi et al., 2010).

Robo-advisors, which typically offer lower fees than traditional financial advisors, were associated with stronger intentions to use among respondents with higher financial literacy and greater confidence. This may imply that more informed investors recognise the value of cost-efficient investing. However, even when cost barriers are reduced, adoption still hinges on behavioural factors such as trust, technology acceptance, and risk attitudes.

For instance, despite their economic appeal, individuals with low financial literacy or technology acceptance were less inclined to express interest in using low-cost Robo-advisors. This suggests that fee structures alone are insufficient to attract participation from less confident or more risk-averse segments of the population.

Therefore, while high fees may discourage some investors—especially cost-sensitive or well-informed individuals—our findings indicate that broader behavioural traits and informational constraints also play a critical role in shaping market engagement. Strategies to enhance participation must address not only affordability but also trust, simplicity, and perceived usability.

Q4b: For consumer associations: Do retail investors raise specific concerns about investment costs and fees? If yes, which ones? (e.g., are total costs clearly known by individual investors? Are fees perceived as too high? Are they considered unclear or difficult to compare? Do investors feel they get good value compared to the cost?) Please explain and provide practical examples, or evidence drawn from experience, where available.

Answer: Yes, several types of concerns are evident, particularly relating to perceived value, transparency, and comparability of fees.

While our study did not include open-ended questions about fee-related perceptions, certain patterns in the data suggest that cost clarity and perceived value may be issues for some investors. For example, those with lower financial literacy were significantly less likely to express confidence in using digital advisory services. This may indicate that when fee structures are bundled, opaque, or linked to abstract outcomes, they become less comprehensible or less trustworthy to these segments.

Additionally, Retail investors tend to prefer products with simple, visible outcomes—such as bank deposits or fixed-return instruments (Lusardi & Mitchell, 2014; Campbell, 2006). Complexity in fee disclosures or performance-linked charges could be a deterrent. When costs are not perceived as clearly explained or proportional to the service received, they may reinforce distrust or dissuade re-engagement.

To improve retail investor engagement, more transparent disclosure of total costs, intuitive comparison tools, and improved communication about cost-value trade-offs would be beneficial—particularly for first-time or less experienced investors.

Q5a: Have you identified a lack of trust in investment service providers as a factor influencing retail investors' reluctance to invest? Please select one of the following options and please explain and provide practical examples, or evidence drawn from experience, where available.

Answer: A contributing factor, but not the main issue

Our findings indicate that lack of trust is an important behavioural constraint, but it is one of several factors affecting investment reluctance rather than the dominant one. In our analysis, general trust—measured as a proxy for interpersonal and institutional trust—was positively and significantly associated with the willingness to use Robo-advisors.

Respondents with low general trust were less likely to express investment intentions, even when controlling for other variables such as financial literacy, confidence, and risk tolerance. However, trust interacted with other behavioural and cognitive factors; for example, low financial confidence and high risk aversion also played substantial roles.

This suggests that while mistrust in investment service providers may discourage some investors, especially those with limited prior experience or low financial literacy, it typically does so in combination with other psychological barriers.

Importantly, our moderation analysis shows that trust is not just a direct driver of investment but a critical enabler. The positive effect of an investor's technology acceptance on their investment intention is significantly amplified by high levels of general trust.

This implies that policy initiatives of promoting digital investment solutions are likely to have a limited impact on a low-trust population. Building and maintaining investor trusts is a necessary precondition for successful digitalisation. This is highly relevant in the EU, where the 2023 Eurobarometer survey found that 45% of customers are not confident that the financial advice they receive is in their best interest.

Therefore, improving trust through regulatory transparency, clearer communication, and consistent service standards may enhance investor engagement. However, to be effective, such efforts should be integrated with broader strategies aimed at increasing financial capability and more holistically addressing behavioural constraints.

Q5b: For consumer associations: What specific concerns, if any, do retail investors raise about investment service providers? (e.g., do they feel they receive biased advice? Are there concerns about transparency, trust, or conflicts of interest, or insufficient access to advice tailored to their needs?) Please explain and provide practical examples, or evidence drawn from experience, where available.

Retail investors may have concerns about the clarity, neutrality, and relevance of advice provided by investment service providers, especially when behavioural traits such as low financial confidence are present.

While our survey did not explicitly ask open-ended questions about perceived bias or conflicts of interest, several behavioural indicators suggest that investors' general trust and perceived transparency are conditional on digital confidence. Our moderation analysis indicates that the interaction between technology acceptance and general trust is statistically significant. This means that individuals with low general trust are more willing to engage with digital financial services like Robo-advisors only when they are comfortable with technology. Conversely, when both trust and technology acceptance are low, institutional advice may be perceived as inaccessible, impersonal, or biased, thereby reinforcing scepticism and discouraging participation.

Moreover, investors with low financial literacy or financial confidence may find it difficult to assess whether investment advice aligns with their personal needs. This could be perceived as a lack of tailored guidance, particularly when advice appears generic or heavily reliant on algorithmic models. Given the complexity of financial decision-making, especially for first-time or inexperienced investors, this lack of perceived personalisation can erode engagement.

Additionally, some investors may conflate institutional financial advice with conflicted interests, particularly when there is limited transparency regarding how advisors or platforms are compensated. This perception can reduce perceived neutrality and further discourage trust.

To improve retail investor engagement, policy and practice could focus on:

- Increasing transparency in how advice is generated and communicated.
- Clarifying how advisors or platforms are remunerated.

- Providing more user-friendly, contextualised guidance tools that accommodate differing levels of financial literacy.

These changes could help alleviate concerns and foster more trusting and informed participation in capital markets.

Q6: Do retail investors feel they have adequate access to investment advice and relevant information when they encounter difficulties in understanding investment products? If not, what forms of support would be most helpful? Please explain and provide practical examples, or evidence drawn from experience, where available.

Our findings indicate that retail investors—particularly those with lower financial literacy, numeracy, or technology acceptance—may often lack access to accessible and tailored investment guidance when they struggle to understand products. Our research into Robo-advisors highlights the nature of this challenge.

Many retail investors favor products that are easy to understand and clearly convey expected outcomes, such as bank deposits or fixed-income instruments. This preference is extreme among individuals with low financial confidence, who may avoid more complex financial tools not because of cost or access, but due to a lack of support in navigating them.

We also find that investors with lower acceptance of digital technology and limited general trust are less likely to express intention to use Robo-advisors, even though these platforms often offer low-cost, automated advice. This suggests that the perceived inaccessibility or impersonality of digital advice tools may deter precisely those who would benefit most from low-barrier, scalable solutions.

Based on these findings, several support forms are likely helpful. First, investors would benefit from easy-to-understand digital education tools that use simple language and visual aids, which can help demystify financial concepts. Second, step-by-step onboarding processes and clear explanations embedded within digital investment platforms would provide structured guidance at the point of need. Third, hybrid advisory models that combine algorithm-based suggestions with optional human support can enhance trust and understanding, particularly for investors less comfortable with fully automated systems. Finally, improving transparency around how investment advice is generated and how specific products align with investors' personal goals would make the decision-making process more comprehensible and tailored.

These tools can empower more hesitant or less experienced retail investors by improving clarity, building trust, and reducing cognitive burden at critical decision points.

Q7: Does investment advice provided to retail clients typically cover all types of investment products (e.g. shares, bonds, investment funds, ETFs), or are certain products rarely advised? If so, please explain which types of instruments are less commonly recommended and why. Please explain and provide practical examples, or evidence drawn from experience, where available.

While our study does not directly measure the distribution of investment product recommendations, the behavioural patterns observed in our data suggest that acceptance of certain products—particularly those delivered via digital platforms—may vary significantly among retail investors. More complex or composite products such as ETFs, diversified mutual funds, or products involving risk layering (e.g., structured notes) appear to be underrepresented in their stated preferences.

In particular, automated platforms like Robo-advisors, which often recommend diversified portfolios, including ETFs, are significantly less likely to be embraced by investors with low technology acceptance or low trust. This may suggest that not only are such products less recommended in some cases, but even when presented, they are not perceived as accessible or appropriate by many retail investors. This behavioural barrier may contribute to a narrower range of products being advised in practice, particularly when investor-facing platforms or advisors pre-emptively simplify offerings based on perceived demand or client familiarity.

Encouraging broader product understanding, improving communication about portfolio diversification, and incorporating support for lower-literacy or less-confident users could help rebalance this dynamic and ensure that investors are not inadvertently excluded from beneficial investment opportunities.

Q8a: To what extent does a lack of financial education or investment knowledge contribute to retail investors' reluctance to invest in capital markets?

Answer: A major barrier to investment

Our research supports that a lack of financial education constitutes a major barrier to retail investors' engagement in capital markets. The analysis in our study shows that financial literacy is a key determinant of the intention to use Robo-advisors, which serve as a proxy for broader engagement with digital investment platforms. Specifically, participants with higher financial literacy scores were significantly more likely to express a willingness to adopt Robo-advisors.

This finding also suggests that individuals with limited knowledge of fundamental financial concepts, such as risk diversification or inflation, tend to avoid capital markets due to uncertainty, fear of loss, and difficulty in evaluating product options. This is consistent with the broader literature. As outlined in our paper, studies such as Lusardi and Mitchell (2014) and van Rooij et al. (2011) have shown that even basic financial competence significantly boosts participation in stock markets.

Importantly, our finding shows that the effect of financial literacy is not just direct. Its pathway to influencing behaviour is significantly mediated by financial confidence. This mediating effect is statistically significant, as confirmed by a Sobel test. An individual can possess financial knowledge, but if they lack the confidence and self-efficacy to act on it, they are likely to remain on the sidelines.

Moreover, Shapley value analysis in our regression models indicated that financial literacy accounts for a significant proportion of the explanatory power in predicting investment intention. This underscores the role of financial education as a foundational capability for navigating complex financial environments.

Therefore, initiatives aimed at improving financial literacy through educational curricula, public campaigns, or workplace training could play a central role in addressing the widespread reluctance among retail investors to participate in capital markets. Our findings suggest such programme must be designed not only to impact knowledge but also to actively build investor confidence, for instance through practical simulations or providing “teachable moments” as highlighted by EIOPA.

Q8b: For consumer associations: Based on your interactions with retail investors, what are the most common knowledge gaps that affect their ability to make investment decisions? Are there specific topics where more financial education could improve engagement? Please explain and provide practical examples, or evidence drawn from experience, where available.

Our research highlights several common knowledge gaps that may hinder retail investors' ability to make confident and informed investment decisions:

- **Digital Investment Tools and Algorithms:** Technical acceptance and general trust interact meaningfully in shaping retail investors' willingness to engage with digital platforms. We find that individuals with low technology acceptance and low trust are significantly less willing to use Robo-advisors. One contributing factor appears to be a lack of understanding of how these tools work or how they are aligned with personal financial goals.
- **Long-Term Financial Planning:** Our analysis also shows that individuals with lower

financial literacy demonstrate a weaker understanding of long-term concepts such as compound interest, investment horizons, and pension accumulation. This may lead to underinvestment in structured long-term products such as ETFs or retirement accounts.

Besides, current literature also highlights two further gaps where financial education could be particularly impactful:

- **Understanding of Risk and Diversification:** As shown in van Rooij et al. (2011), many individuals struggle to grasp how diversification reduces portfolio risk. This knowledge gap tends to drive overly conservative behaviours, including an overreliance on bank deposits or low-risk products.
- **Fee Structures and Product Comparisons:** According to Abraham et al. (2019), retail investors often lack the tools to interpret fee disclosures and compare costs across products. Such difficulties may deter them from engaging with market-based instruments even when other product features are favourable.

Based on the above findings, we suggest that financial education initiatives can focus on targeted, context-driven topics—such as how digital platforms make decisions, the principles behind portfolio construction, and long-term investment planning. Although we are not a consumer association, our research-based insights provide an evidence-backed perspective on the areas where enhanced education could most benefit retail investor engagement.

Q9: For consumer associations: Based on your interactions with retail investors, do psychological or cultural factors – such as fear of losing money, distrust in financial markets, or a preference for familiar products – play a role in retail investors’ hesitation to invest? If so, which of these factors seem most important? Please explain and provide practical examples, or evidence drawn from experience, where available.

While we are not a consumer association, our research suggests that psychological and cultural factors are important in retail investors’ reluctance to invest.

In particular, our moderation analysis reveals that technology acceptance and financial literacy are central behavioural factors influencing investment intention. These factors also interact with general trust and financial confidence. For example, individuals with low technology acceptance and low general trust are significantly less likely to adopt Robo-advisors, reflecting underlying scepticism or discomfort with institutional or algorithm-driven advice.

Likewise, individuals with low financial literacy may be more susceptible to risk aversion, and tend to prefer familiar, low-risk products like bank deposits. This aligns with broader

cultural preferences for simplicity and with the tendency to avoid investment options that are perceived as complex or opaque.

These patterns suggest that psychological and cultural barriers can limit retail participation, such as fear of financial loss, distrust in unfamiliar systems, and a preference for perceived safety. Addressing these issues may require not only financial education but also behavioural interventions aimed at building digital confidence and trust in financial innovations.

Q10: Are there any other significant non-regulatory barriers that discourage retail investors from investing in capital markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

Yes, our research identifies several non-regulatory barriers—particularly behavioural and informational—that significantly discourage retail investors from participating in capital markets.

- **Low Technology Acceptance:** A key finding of our study is that individuals with low levels of technology acceptance are much less likely to engage with digital investment tools, such as Robo-advisors. This represents a structural barrier in modern investment environments where platforms are increasingly digital-first. These individuals often cite unfamiliarity, perceived complexity, or discomfort with algorithms as reasons for avoiding such platforms.
- **Perceived Lack of Control or Understanding:** Many investors hesitate to act because they lack the knowledge or capability to make informed decisions. Even when information is available, it becomes ineffective if it is not perceived as comprehensible or actionable. Our findings indicate that perceived difficulty in understanding financial products plays a substantial role, especially among those with lower financial literacy.
- **Psychological Barriers:** As previously noted, fear of risk, low financial confidence, and general distrust can all create inertia. These are not caused by regulation but instead reflect personal attitudes and cultural expectations. For example, our interaction analysis shows that low financial confidence can dampen the effect of financial literacy on investment intention, meaning that knowledge alone is insufficient without the belief in one's ability to act on it.

These findings point to the importance of designing investment platforms, tools, and educational resources that are not only informative but also psychologically accessible—especially for those who are unfamiliar or insecure about engaging with capital markets.

Q11: What role do digital platforms and mobile applications play in shaping the investor journey? Are there digital features or tools that have simplified the investment process or improved investor understanding and decision-making? Conversely, are there aspects that may complicate the experience for some retail investors? Please explain and provide practical examples, or evidence drawn from experience, where available.

Digital platforms and mobile applications are increasingly central to the investor journey, offering opportunities to simplify investment processes, expand access, and personalise advice. Our study, which focuses on Robo-advisors as a digital investment tool, provides evidence of both enabling and limiting effects.

Firstly, digital platforms offer several advantages, particularly for investors with high levels of technology acceptance and financial literacy. Features such as automated portfolio suggestions, user-friendly dashboards, and low entry thresholds reduce friction and make the investment process more approachable. For example, we observed that individuals with higher scores in financial literacy and technology acceptance are more likely to engage with Robo-advisors, suggesting that digital tools can facilitate access when users are confident and informed.

However, digital platforms may inadvertently introduce complexity for users with less confidence or numeracy skills. Our findings indicate that individuals with lower technology acceptance often perceive algorithm-driven platforms as opaque or difficult to use. This discomfort can be a barrier, even when products are low-cost or attractive. Furthermore, investors with low financial literacy may struggle to interpret visualised performance data, risk assessments, or product comparisons, reducing the effectiveness of digital decision aids.

These insights suggest that while digital platforms can improve access and efficiency, their impact is highly dependent on the user's behavioural characteristics. We believe digital tools should integrate features such as onboarding tutorials, adaptive explanations, and hybrid support options (combining algorithmic and human advice) to better accommodate a diverse range of users. Hence, the design of investor-facing technologies should prioritise usability and account for user confidence, comprehension, and behavioural needs variations.

Q12: How effective do retail investors find the current mechanisms for filing complaints and obtaining redress when issues arise with investment products or services? Do issues with these mechanisms play a role in retail investors' hesitation to invest? If yes, which improvements can be made? Please explain and provide practical examples, or evidence drawn from experience, where available.

Investors' perceptions of whether service providers are responsive and accountable can significantly influence their investment confidence (OECD, 2020). Participants with low levels of trust were less likely to engage with digital investment platforms, even when other factors (e.g., fees or convenience) were favourable. This suggests that scepticism about whether problems will be addressed fairly and effectively could discourage participation.

To improve perceptions of redress mechanisms and enhance investor confidence, the following improvements may be particularly effective:

Clearer complaint channels should be implemented. Platforms should provide prominent and easy-to-navigate interfaces for filing issues, including expected timelines and escalation steps.

Transparent resolution processes are also important. Users benefit from knowing how complaints are handled, who is responsible, and how outcomes are determined.

Additionally, feedback loops can enhance reliability. Providing updates throughout the resolution process and post-resolution satisfaction surveys could enhance the perceived transparency and effectiveness of the system.

In digital contexts, proactive communication and human accessibility (e.g., real-time chat with support staff) can help reassure users that their concerns will not be lost in automation. These features play a valuable role in reducing hesitation among potential investors who are unsure about how issues would be handled if they arise.

Q13: What measures - whether market-driven or policy-driven - could help improve retail investor participation in capital markets? Please explain and provide practical examples, or evidence drawn from experience, where available.

Our research findings suggest that a combination of behavioural, informational, and structural interventions could meaningfully improve retail investor participation. We outline below four policy and market-driven measures supported by both our study and relevant academic literature:

Financial Education Campaigns with Behavioural Components: Increasing financial literacy remains a cornerstone for promoting market participation. Our study shows that financial literacy significantly predicts the intention to engage with Robo-advisors. Educational campaigns should therefore be tailored to cover not only investment basics (e.g., risk-return trade-offs, diversification), but also behavioural aspects such as confidence-building and decision-making under uncertainty. Given that the effect of financial literacy is mediated by

financial confidence, policy should support educational initiatives that are practical, build self-efficacy, and empower investors to take action, rather than focusing on knowledge acquisition alone.

Supportive Digital Infrastructure and Hybrid Advice Models: As digital platforms play a central role in modern investing, design improvements can make them more accessible. Our research shows that investors with lower technology acceptance are less likely to participate, even when digital tools are cost-effective and convenient. Providing onboarding tutorials, in-app guidance, and optional human support (e.g., hybrid advice models) can reduce intimidation and increase adoption, especially among first-time users or those with low confidence.

Simplified Product Disclosures and Fee Comparisons: Many investors are discouraged by unclear cost structures and complex product documentation. Tools that translate key features into plain language, use visual aids, and offer fee comparison calculators could reduce cognitive load. Abraham et al. (2019) highlight how better fee transparency supports more informed investor choices.

Trust-Building Through Transparent Complaint and Resolution Mechanisms: Trust plays a moderating role in our model and is closely tied to perceptions of institutional responsiveness. Improved complaint channels, timeline commitments, and transparent resolution processes could foster greater investor trust. For example, platforms could include real-time support, issue tracking systems, and post-resolution satisfaction surveys to signal accountability.

In conclusion, no single solution will fully address the barriers to participation. However, integrated efforts across education, technology design, disclosure policy, and trust-building are likely to generate cumulative and lasting improvements in investor engagement with capital markets.