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The Rise of Finfluencers in India: Evaluating their Impact, Regulatory Response, and Pathways for Advancement

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***Abstract* - With the explosion of social media in recent years, social media influencers have become important players in the digital landscape. These influencers with a substantial number of followers and subscribers generate and upload content in different domains and capture the imagination and minds of users of these digital platforms. Finfluencers, are a breed of social media influencers who act as financial advisors and post content on investment, personal finance, mutual funds etc. on various social media platforms. In the last couple of years, a number of unregistered finfluencers have come under the scanner of the Securities Exchange Board of India (SEBI) due to fraudulent practices and the Regulator has taken note and action against them. This paper is descriptive, based on secondary data sources and highlights the pros and cons associated with these unregistered financial gurus as also the role of the SEBI. Citing case studies of finfluencer transgressions, the paper drives home the necessity of strict regulation and also recommends a spectrum of suggestions including a blanket ban on individual finfluencers depending upon the gravity of their infractions with a view of safeguarding the interests of naïve and young retail investors who condition their investment decisions based on the online viewpoints expressed by these financial gurus. The study concludes that financial literacy is the key to informed investment decisions.**

***Keywords:* Social Media, Finfluencer, Investment, Covid, SEBI**

***JEL Codes:* G 11, G 20, G 41**

I. INTRODUCTION

Social media has spurned out influencers in various fields of activity. These influencers play a pivotal role in creating opinions, changing mindsets and guiding their followers in decision - making. Lou, (2022) describes Social media influencers as well -known social media personalities engaged in creating and sharing content that is useful and organic, simultaneously developing strong personal bonds with a large number of followers which enables them to wield significant influence over their purchases and decision making (Bunkangsang Buchag et al., 2022). The presence of Influencers is visible in almost all sectors and their content covers a wide spectrum: be it the fashion and beauty industry, healthcare, technology, the culinary sector, physical fitness, and others. Raggatt et al., (2018). Influencers in the field of finance and investment are called 'finfluencers.' They influence their followers in taking investment decisions by disseminating their knowledge on the topic through online social networks such as You Tube, Tik Tok, Face Book, Instagram, Telegram and other such portals (Noubar & Salehy, 2017).

'Finfluencer', an acronym for a financial advisor can be described as an individual/or entity who/which primarily advises investors on various financial products and services enabling the investor to make an informed investment decision.
(https://www.businesstoday.in/interactive/immersive/rise-of-the-finfluencers). Their preferred mode of advising retail investors is by uploading videos on You Tube. These finfluencers are instrumental in educating Gen Z investors with financial content that is both informative and educative, leading to their investment in stocks and securities (Branitskiy et al., 2019). The number of finfluencers in India too is on the rise including their followers. These finfluencers fall into three broad categories: (1) Personal Finance Influencers (2) Stock Market Influencers and (3) Trading Influencers (Abdulhaleem et al., 2023).

A Report, 'Finfluencer Appeal: Investing in the Age of Social Media' released by CFA identifies several factors that have driven Gen Zers to absorb content uploaded by the finfluencer community. These factors include lack of financial literacy, a penchant for seeking information from the internet and additionally their inability to engage, interact and connect with registered financial advisors (Espeute & Preece, 2024), a phenomenon not restricted to the US alone. Finfluencers are shifting the stock market information ecosystem, affecting price discovery, trading strategies, corporate behaviour, and policy (Xue, 2024).

Several factors can be ascribed to the growing reach and influence of finfluencers on youngsters in particular. They create content which is relatable and engaging, explain complex investment concepts in a language that is relatively easy to comprehend and in videos of 10 to 20 minutes duration. They are therefore able to capture the attention of retail investors who tend to centre their investment decisions on the content these finfluencers create. A tech savvy generation and easy availability and affordability of smart phones are other factors strengthening the influence of influencers in general. Finfluencers and finfluencing gained momentum in India during the pandemic when Young Indians turned to social media for investment advice and this in turn led to a proliferation of self-styled financial influencers (Kejriwal, 2023).

Theoretical Framework

Herbert Kelman first formulated the Social Influence Theory (SIT) in the early 1950s as an approach for when social influence is going to produce changes in attitude and behaviour. Largely, this theory came about in such an environment as the Civil Rights Movement and the anti-war demonstrations. The socio-political change was so abnormal that people did as they were supposed to do whether they agreed or not (Kelman, 1953). However, previous research on social influence never explained how public recentering and social compliance transformation into attitude and behavioural change can be explained. Kelman, (1953), Sherif, (1935) were able perhaps to show the predictors of conformity, but did not provide an in-depth explanation of attitude changes resulting from a single mode of communication. Social Influence Theory, as stated (Kelman, 1953; Kelman, 1958; Kelman, 2017), was discontented with the incompetence of previous theories to explain discrepant conduct from social pressure and norms in different types of influence situations and responses.

Social Influence Theories

In 1974, Blumler and Katz proposed the Uses and Gratification Theory, which was later supported by Putnam's Social Capital Theory in 1993. Bandura's Social Cognitive Theory followed in 1986, and in 1936, Redfield, Linton, and Herskovits introduced the Acculturation Theory. Finally, Rogers presented the Diffusion of Innovation Theory in 1995. These five theories were subsequently integrated to offer a comprehensive understanding of the social media influence phenomenon.

Uses and Gratification Theory (UGT)

Uses and Gratification Theory (UGT) is one of the most prominent social media theories that states people are also active in actively looking for specific functions in media content to fulfil their wants and aspirations. This implies that people are attracted to the benefits that are provided by various types of media use, which range from entertainment, companionship to acquiring knowledge. Specifically, UGT is important for publishing firms because it reveals how consumers use online platforms such as Instagram or Twitter.

The Social Capital Theory

The Social Capital Theory states that social media activity will allow people to form connections and networks that can be advantageous to them. At its base, this concept is based on the notion that through their social connection, people can draw from resources, information, and opportunities that would otherwise be beyond their reach.

II. Literature Review

Postmodernism and the fast speed of digital technologies have led to emergence of digital culture of consumption. In the current age of the internet, businesses began to rethink their value delivery strategy and the way they could reach customers, leads and users (Kotler et al., 2010). The boom of social networks also changed the way in which people communicate and form relations among the younger generation. There is no denying that the digital age has become a powerful force in the field of marketing and communication, a force that is growing stronger and stronger, and as such, the companies are investing more money in digital strategies to stay ahead of the competition. The COVID-19 pandemic has forced people to be online more frequently, giving them an increased exposure to many different factors. As businesses are becoming more and more competitive, they are increasingly looking to social media influencers (SMIs) to steer their marketing efforts and take control of consumers’ behaviours.

Social Media Influencers (SMIs) are commonly acknowledged by researchers as having a very great influence over individuals, which includes their beliefs and purchasing choices. This is because indeed, these influencers can introduce people to a wide array of brand logos and advertisements which will have a great impact on people’s decision- making processes (Glucksman, 2017; Kalu, 2019). For example, there are influencers that have millions of followers, which gives them power over public opinion, changing behaviours, and changing attitudes (Boston University School of Public Health, sphweb.bumc.bu.edu). In addition, they are able to intrude in an individual’s personality and identity, develop consumer products and enhance brand recognition.

Social media influencer in this case is an individual with high number of followers on social media platforms (Abidin, 2016) and has the ability to influence (Dhanesh & Duthler, 2019) and earn income (Abidin, 2016) from his followers. The number of followers that these influencers have are divided into micro (less than 100,000), macro (100,000 to 1 million) and mega (more than 1 million) influencers (Borchers, 2019; Voorveld et al., 2018). Although some mega-influencers are celebrity social media users, not all celebrity social media users are considered influencers (Taillon et al., 2020).

Influencer marketing is a strategy that businesses use to get to potential customers while promoting the products and services (Kapadia, 2020). With this marketing strategy, the product content posted by celebrities on their social media accounts is used to target potential customers of the products and services promoted (De Veirman et al., 2017). As these influencers have good relationship of trust with their followers and are excellent at engaging and interacting with them, they are a great group of influencers to use to introduce a new product (De Veirman et al., 2017). Most marketers have collaborated with influencers to advertise the brands and products (Mediakix, 2019).

Social media influencer is a low budget promotional style that can be personalized to fit the financial resources of a business irrespective if the business is new or if it is an old brand. A survey (Linqia, 2018) shows that 92% of the marketers who used influencer marketing in 2017 were successful and 39% are increasing their budget for influencer marketing in the next year. It means influencer marketing will still continue in the future (Han & Chen, 2022).

Branding campaigns through social media influencers are based on the assumption that there exists a possibility to make use of the influencers outside competencies (content development and dissemination, interactions with consumers, public image, capacity to affect, social network relations, public relationship construction) (Borchers, 2019). External resources can help social media influencers to develop and disseminate electronic word of mouth (e-WOM) content to the advantage of brands' marketing communication objectives (Zhu et al., 2019).

There are diverse goals of influencer marketing, including increasing brand awareness, as well as increasing brand recognition, generating social buzz around the product and improving brand value and revenue (Sundermann & Raabe, 2019). Using social media influencers as a way to brand products can be employed as a long term or one time marketing campaign (Uzunoğlu & Kip, 2014).

Researchers have recently begun investigating the topic of influencer marketing strategies in the context of influencers' perceptions of followers and the characteristics of the followers themselves in terms of their perceptions of influencers and the impact on the outcome of the influencer marketing campaigns. Depending on the factors such as physical attractiveness, leader opinion, credibility, originality and quality of the messages, the behavioural intentions of the followers towards the influencer recommendations are determined (Farivar & Wang, 2022; Lee & Watkins, 2016; Lin et al., 2018; Sokolova & Kefi 2020; Taillon et al., 2020; Wiedmann & Von Mettenheim, 2020). Additionally, the corresponding characteristics of the follower, for instance, loneliness and self-esteem, will also affect their reaction to influencer marketing (Belanche et al., 2020; Hwang & Zhang, 2018).

An influencer is an individual who has achieved recognition and a following on social media, and makes use of photos and videos amongst other social activities to create an online persona on his/her social profiles (Khamis, 2013; Tafesse & Wien, 2018). They often focus on single domains (e.g., fashion, beauty, travel), and their followers help them and interact with them (Audrezet et al., 2020; De Veirman et al., 2017).

Their opinion, physical attractiveness, credibility and trustworthiness have a real impact on the purchase decisions of their followers (Belanche et al., 2020; Lou & Yuan, 2019; Sokolova & Kefi, 2020; Katz, 1974; Redfield et al., 1936; Schouten et al., 2021; Powell, 2014). Furthermore, the influencer's posts influence needs and preferences of followers (Belanche et al., 2020; Sutton, 2001), perceived social relationships (Sokolova & Kefi, 2020), and loneliness (Hwang & Zhang, 2018). To enhance the effectiveness of influencer marketing, it is dependent on content uniqueness, originality (Casaló et al., 2020), interactivity, informativeness and aesthetics (Tzanakis, 2013).

According to Schouten et al., (2021), influencer marketing is one of the good marketing approaches for brands to reach out to their audience. Consumers perceive that social media influencers are more accessible, credible and close to them (Schouten et al., 2021). In comparison to celebrity TV messages, E-WOM social media influencers are seen as more authentic and credible (De Veirman et al., 2017). Djafarova & Bowes, (2021) researched that social media influencers have more influence over young consumers purchase decision than other celebrities.

Previous studies have shown social media influencers are constantly seeking exposure and continuously promoting their services using their online networks in a way that is similar to celebrities. Nevertheless, there is little knowledge of the possibility of educational content and thought leaders being found via social media within social advertisements. In this research, there is an attempt to investigate the extent to which social media can be utilized as a medium to promote financial literacy. The authors have also critically analysed the operational characteristics of influencers in the financial domain who depend on social media to share and disseminate valued knowledge about personal finances and give advice to their followers.

Finfluencers are individuals who make a living mentoring follower on social media platforms on how to manage their finances. These influencers tend to advise on personal finance, investing, budgeting, saving strategies and financial literacy etc. Using their knowledge and experience in the financial sector, they create content which is informative for their audience about their money.

Given the increasing popularity of financial influencers, research on this type of influencers' role and impact in influencer marketing lags behind influencers who are active in other niches like fashion, beauty, or lifestyle. The effectiveness of financial influencers in affecting the behaviour of the consumers, financial attitudes and financial decisions is important for researchers and practitioners in the fields of marketing and finance.

Financial influencers, often referred to as "finfluencers," are individuals who specialize in providing financial advice, education, and insights to their followers on social media platforms. These influencers typically focus on topics such as personal finance, investing, budgeting, saving strategies, and financial literacy. They leverage their expertise and experience in the financial industry to create content that educates and empowers their audience to make informed decisions about their money. Are finfluencers in a position to affect stock prices? Oosting, (2022) finds that there were no abnormal returns on stock prices despite finfluencers posting videos on You Tube. The study concludes that finfluencers may not necessarily be able to manipulate stock prices and that views of a video uploaded on social media and its impact is not positively co-related. Finfluencing however has ethical implications (Oosting, 2022). Drawing a comparison between accredited finfluencers and influencers who disseminate information based on their personal experiences, de Regt et al., (2022) found in their study based on text mining, that the former were able to generate a more favourable and positive reaction from social media users. Furthermore, their study also points out to the significant impact that the influencers' gender and race have on their financial acumen as also consumers' responses.

Research Gap: With the growing influence of social media, studies on the social media influencers have gained importance. Several studies exploring the impact of social media influencers on the decision-making process have been published. However, a significant void exists in the realm of finfluencers with scholarly exploration of the same being minimal. This paper seeks to bridge that gap. It is crucial for researchers and practitioners in the fields of marketing and finance to understand the effectiveness of financial influencers in influencing consumer behaviour, shaping financial attitudes, and driving financial decisions. Embracing a descriptive approach, the study draws upon a plethora of secondary data sources to shed light on finfluencers and finfluencing.

III. RESEARCH METHODOLOGY

The study is descriptive in nature and relies on secondary sources of information. The information related to finfluencers against whom the capital market regulator initiated punitive action was sourced from casemines.com with additional information from articles appearing in the newspapers. A conceptual framework has been designed to navigate the contents of the paper. Furthermore, the findings of the paper are organized into four distinct sections. Section I provides an in-depth analysis of the advantages and disadvantages associated with finfluencers. Section II focuses on the repercussions of COVID-19 on the Indian stock markets and attempts to draw a correlation between the behaviour of these markets and the proliferation of finfluencers within the country. Section III sheds light on the role of the market regulators, citing recent cases of finfluencer transgressions in India. Section IV presents a comprehensive discussion and offers pertinent suggestions. The Conceptual framework (Figure 1) encapsulates the gist of the present study.

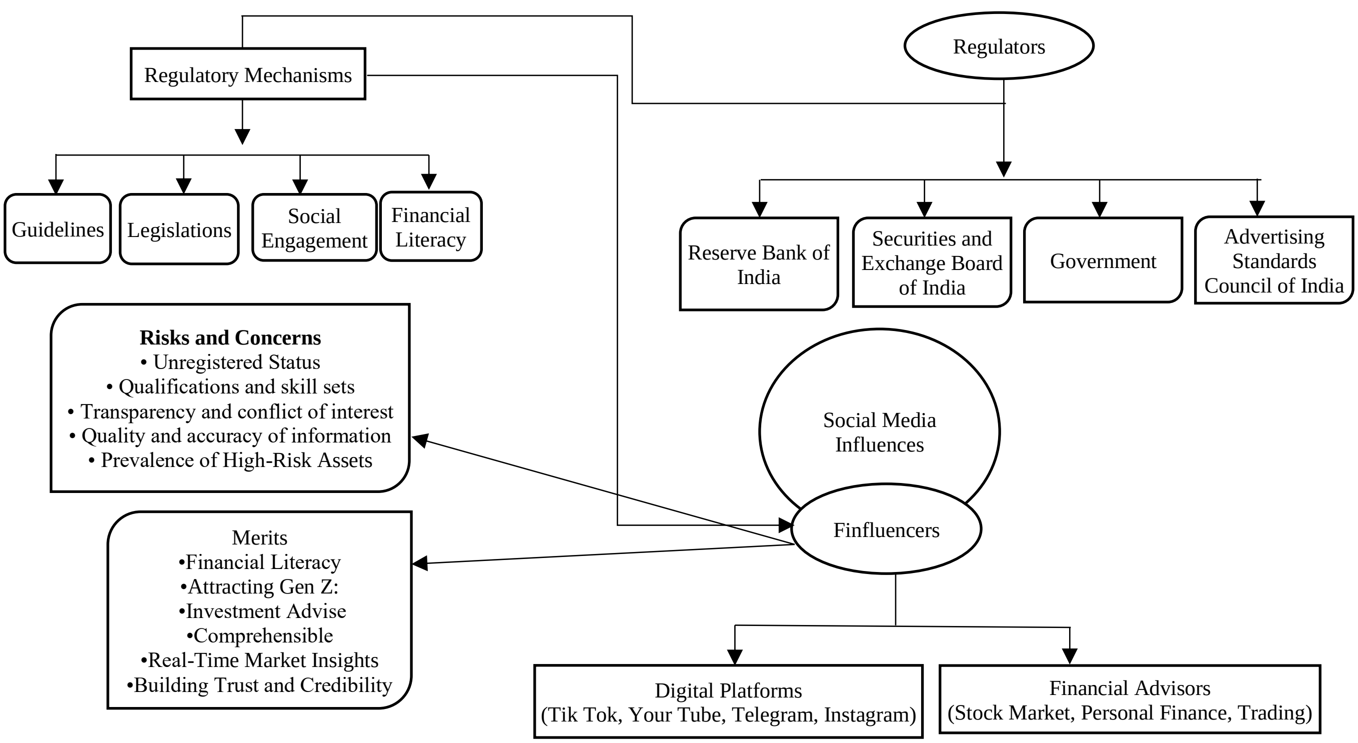

Fig. 1 Conceptual Framework

Source: Author generated

IV. Results and Discussion

Section I

A Case for Finfluencers

Finfluencers have in recent years made a significant impact on the financial markets and have succeeded in changing the colour of money. While some have been in the news for wrong reasons, there are several positives that can be attributed to them.

Finfluencers enable their followers to make informed investment choices by sharing with them information on aspects such as investments, personal finance and money management. They provide real time and updated market insights to retail investors which enables the latter to leverage the benefits of investment opportunities. By simplifying complex financial jargon, they make concepts understandable to a wider online audience, bringing in fresh perspectives, diverse formats and engaging storytelling to capture young minds. These finfluencers thus by default promote financial literacy. The younger generation and Gen Z in particular actively follow finfluencers who create content that resonates with Gen Z who are young, willing to take risks and interested in instant returns - earning larger profits in a shorter span of time. Influencers have a loyal follower base and are therefore able to build trust and credibility among them on account of which followers will be more open to accepting the investment options being recommended by these financial influencers. Brands/Companies hiring the services of finfluencers to market their products can leverage from the creative content and the immense followers that the finfluencers command to push their brands further. Finfluencers have a positive impact on brand perception. When an influencer endorses a product, it creates a "halo effect." Their credibility and authenticity rub off on the brand, enhancing its reputation. For companies, the cheapest way of finding customers would be through referrals from finfluencers.

Finfluencers: Risks and Concerns

While the financial gurus or 'Furus' as they are also referred to post valuable financial information on social media platforms, unfortunately, they have also been charged with 'peddling misinformation to push stocks where they have vested interests, besides allegations of kickbacks from companies for promoting their stocks, manipulating investors with fake proof of growth and even charging ordinary individuals for these advisory services' (Suprita, 2023). Several concerns therefore crop up given the nature, scope and magnitude of the social engagement by these financial advisors.

- ***Unregistered Status:*** One of the main concerns expressed is the unregistered status of finfluencers who act as unauthorized Investment Advisers (IA's) or Research Analysts (RA's) doling out advice to unsuspecting retail investors which may knowingly or unknowingly be biased and misleading. Lack of registration implies that these finfluencers are not restricted by any official code of conduct or ethics.
- ***Qualifications and skill sets:*** the genuineness of the qualifications, expertise, skill sets of the finfluencers is also an area of concern. Ramaswamy, (2023) in his study notes that social media and the limitless capabilities of these digital platforms has enabled individuals who are neither formally qualified nor possess the requisite knowledge of finance to develop an image for themselves, create narratives and build a community of followers. A significant number of finfluencers in India lack specialized expertise in financial counselling, and have instead transitioned from other related fields of study such as corporate counselling and management. There is concern therefore that finfluencers and finfluencing can adversely affect the financial well-being of followers.
- ***Transparency and conflict of interest:*** the possibility of an unregistered finfluencer endorsing a specific financial product without disclosing his association with it or the compensation he has received for promoting the product or service poses a risk to investors who may make decisions influenced by the finfluencers hidden incentives and objectivity of financial advice provided.
- ***Quality and accuracy of information:*** Concerns include the fitness and propriety of the person providing advice, the factuality, currency, and timeliness of information, and the level of financial literacy, risk appetite, and risk tolerance of viewers.
- ***Prevalence of High -Risk Assets:*** Some finfluencers may promote financial assets that are highly risky such as virtual currencies and company stocks, potentially exposing investors to undue risks.

Section II

Impact of COVID 19 on the Stock Market in India: Did Finfluencers Cause an Upswing in the Value of Stocks Traded?

Covid 19 originated in Wuhan, China and was declared a global pandemic in March 2020. The Pandemic adversely affected economies around the world and India was no exception. It not only created turmoil in global economic activity (Baldwin & di Mauro, 2020), but also resulted in a decline in share prices in stock markets around the world (Baker et al., 2020). The impact of Covid 19 was immediate on the stock markets with sensitivity indices plummeting to lows. In another study it was observed that the mean return of both the SENSEX and the Nifty, the indices of the two important stock markets in India -the Bombay Stock Exchange and the Nifty, was positive in the pre-COVID-19 era i.e prior to January 2020 but daily mean returns turned negative during the COVID-19 era, implying an adverse impact on stock returns (Bora & Basistha, 2021). However, stock market prices are conditioned by demand and supply factors and tend to change with changes in investor preferences. It is evident from data available that while the immediate stock market response to the Covid-19 Coronavirus pandemic was negative, the markets picked up in due course of time. The Pandemic necessitated *'lockdowns'* and the *'Work from Home'* culture and simultaneously also withnessed an increase in Gen Zers getting hooked to social media platforms. Social media influencers were able to captivate social media users with their imaginative and creative content. The breed of finfluencers also grew in number in India.

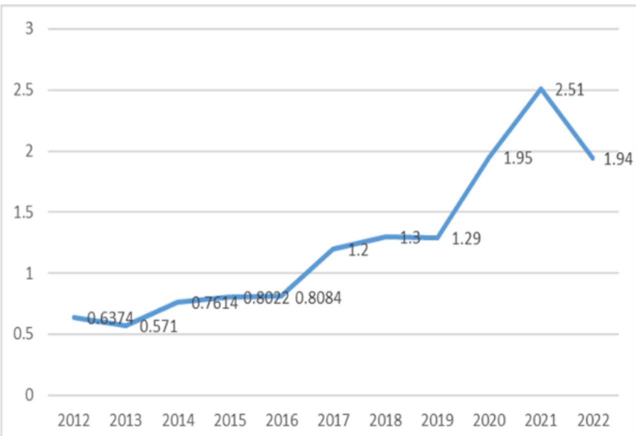

Fig. 2 Value of Stock Traded in India (2012 -2022)

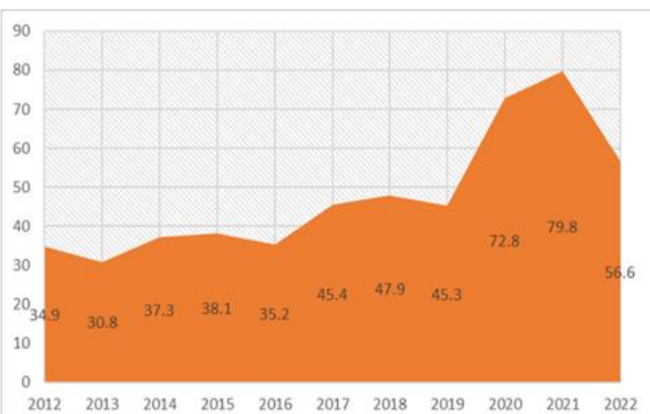

Fig. 3 Value of Stocks Traded as a Percentage of GDP (2012-2022)

Source: World Bank Data

https://data.worldbank.org/indicator/CM.MKT.TRAD.CD

It was during the phase of the pandemic that the breed of finfluencers surfaced in large numbers. Post 2020 activity on the stock markets picked up and reached highs. While there are no specific studies to infer that the increase in the value of stock trading and the improvement in the value of stock trade as a percentage of GDP in India was because of the influential role played by finfluencers, the possibility cannot be overruled. More indept study will need to be carried out to ascertain this phenomenon.

Section III

Recent Cases in India and elsewhere that Necessitated Regulator Intervention

The Securities and Exchange Board of India (SEBI), (2023) plays a crucial role in the Indian financial system by regulating the securities market, ensuring transparency, and protecting investors' interests. It also regulates the functioning of stockbrokers, sub-brokers, portfolio managers, and other intermediaries in the securities market. SEBI has since its establishment put in place several mechanisms to ensure Investor protection. More recently, the role of finfluencers in India has come under the scanner and malpractices have resulted in the capital market regulator intervening and taking penal action. The following cases sourced from casemines.com (Case Mine), the SEBI Website and other online sources highlight key instances where finfluencers engaged in unauthorized and fraudulent activities, leading SEBI to intervene and impose penalties.

Unauthorized Investment Advisory Activities: Several individuals and entities engaged in providing investment advice, without obtaining proper registration from SEBI. Finfluencers were found to have drawn gullible investors in their investment decisions through desceptive representations and promises of high yield. SEBI initiated penal actions in multiple cases which included banning the offenders from trading, imposing fines, ordering refunds and restricting the influencers found guilty through inquiry, from uploading investment related content in the public domain.

Unregistered Securities Transactions: Some finfluencers have also been involved in stock trading on behalf of their customers despite not meeting the requirment of SEBI Registration. These finfluencers were barred from transacting business in the securities market and mandated to refund fees sourced from their clients. Additionally, penalties were also imposed by the Regulator with a view of ensuing compliance to norms.

Fabricated Credentials and Misleading Information: In another case, a finfluencer was accused of misleading investors by hyping up and misrepresenting his educational qualificatons in order to enhance his credibility. While no regulatory action finds mention, the individual's presence in the digital space disappeared, casting aspersions on the veracity of his educational claims.

Fraudulent Operations via Websites: The capital market regulator also initiated action against certain finfluencers found guilty of mobilising huge funds from investors by offering investment advice and trading tips though their websites, without SEBI registration. SEBI responded by imposing bans, restrained the influencers concerned from participating in the securities market besides ordering them to refund monies raised from the investors.

Unregistered Investment Advisory Firms: Falsely claiming to be educational insitutions and advisory firms, some unscrupulous entities garnered substantial sums of investments promising lucrative returns, thereby reaping huge financial gains. The inquiry revealed that these firms were operating without SEBI registration and compliance to SEBI regulations. The Indian Capital Market Regulator intervened by barring the parties concerned from operating in the securities market, ordered a freeze on the illegally derived gains and also directed the funds to be credited in escrow accounts.

Pump and Dump Frauds: Capitalising on the enormous influence they weild on unsuspecting followers and subscribers, finfluencers, were also found involved in the dissemination of fraudulent and incorrect information though You Tube Channels, with the intent of manipulating stock prices. As a punitive action, SEBI, on completion of inquiry, besides holding the guilty accountable for illegal gains also debarred them from participation in the capital market.

In a recent move, SEBI has prohibited social media influencers and content creaters from uploading educational content related to stocks, based on real time prices.

These cases highlight SEBI's dedication to upholding the integrity of the financial markets and safeguarding investors against fraudulent and unlawful conduct. The regulator's measures demonstrate a rigorous strategy to reducing the impact of unregistered and unethical financial influencers in India's capital markets.

The Supervisory Framework: Protocols for Finfluencers

SEBI's Monitoring Framework: SEBI plays a pivotal role in preventing deceitful practices and protecting the investors from deceptive information. SEBI released a consultation paper on August 25, 2023 to monitor the registered intermediaries and control entities with unregistered financial influencers, popularly termed as ‘finfluencers.

Secure and Streamlined fee collection Mechanism: SEBI aims to create a safe environment for the registered intermediaries for seeking financial guidance. It also provides assurance that investors’ payment is exclusively made to the registered Investment Advisors (IAs), and Research Analysts (RAs) thereby obstructing the unregistered entities such as finfluencers from accessing the closed ecosystem.

Interruption in the Revenue Streams: Unregistered finfluencers are under the surveillance of SEBI. It is constantly monitoring the revenue model of unregistered Finfluencers who are promoting financial products or services by compromising with the objectivity in financial advice.

Guidelines and Registration for Finfluencers: Finfluencers are required to follow guidelines and register with the regulating authority. These guidelines may include displaying their registration number, contact details and investor grievance redressal helpline on social media profiles. Further regulations require the full disclosure and disclaimer in all posts that come from them.

Guidelines by Advertising Standards Council of India (ASCI) for Finfluencers:

Disclosure: According to guidelines by ASCI, finfluencers are supposed to label all their posts as advertisements. Feasibly, transparency should be exercised if there is a material connection between the advertiser and the influencer. However, if there is no such connection at all and the latter only talks about a product or service that they have bought and loved, this would not qualify as an advertisement and hence does not call for disclosure.

Due Diligence: The influencers are required to carry out due diligence of their own on the claims made in the advertisements.

Qualifications and Certifications: Financial Influencers, who either advise on or promote products and/or services in the Banking, Financial Services and Insurance (BFSI) sector must have the minimum qualifications and certifications required to provide advice to consumers regarding the merits or demerits of a particular product. In BFSI pertaining to stock or investments, they must ensure that they are registered with SEBI wherein their name, qualification alongside with their SEBI registration number would be written. If it is other financial advices being provided by such influencers then qualifications like an IRDAI insurance license, CA, CS etc are needed. Furthermore, all disclosure requirements as may be stipulated by regulatory frameworks in the financial sector should also be adhered to by them.

Section IV

V. Discussion

Post the Pandemic, social media influencers have begun to capture digital platform like Tik Tok, You Tube, Telegram, Instagram and are using the same to disseminate a plethora of content created by them across different spheres. Finfluencers have also made their mark in the digital landscape doling out information on stocks, mutual funds, personal finance and investments. However, their operations have come under the scanner. The SEBI which is the Capital Market Regulator has been constrained to take necessary action against finfluencers who have adopted unethical practices.

There are both pros and cons in respect of finfluencers and finfluencing. Finfluencers can educate the retail investor and enable him to make informed investment decisions. More importantly, these financial advisors can provide updated and real time information. They already possess a follower base and find it easy to create trust among their followers and subscribers. Companies can also rely on these financial gurus to build their brand and market their financial products. While finfluencers rely on their forte of creating creative and imaginative content, it is this very content that is questionable. Concerns have been raised about the qualifications and skill sets the finfluencers possess. The doling out of misleading information, non-disclosure of conflict of interest, fraudulent practices by some finfluencers have attracted the attention and action from SEBI.

The information sourced by us indicates that several finfluencers in the country have been charged with commission of offences such as:

- Providing investment advisory services without being registered with SEBI.
- Inducing retail investors to invest in certain financial products by making misleading and false claims.
- Extracting money from investors through subscription fees.
- Promising unrealistic returns.
- Providing investment advice under the garb of education and overall.
- Resorting to fraudulent practices for personal gains.
- Alleged fabrication of educational qualifications.

Violations by finfluencers is not a phenomenon unique to India and several cases have been reported in other nations too where the regulators have initiated punitive action. The action taken by SEBI vis-à-vis transgressions by finfluencer range from fines to a temporary ban on the finfluencer. SEBI has also brought out a consultation paper to regulate the connect between registered investment advisors and unregistered finfluencers. Finfluencers have been constantly under the watchful eye of the SEBI. Punitive action initiated by SEBI indicates the seriousness that the regulator has assigned to violations by these unregistered financial gurus. However, whether the fines and temporary debarment from conducting activity will serve as a deterrent and prevent future violations by finfluencers is debatable.

VI. Conclusion

Undoubtedly, finfluencers have been playing a pivotal role in spreading financial literacy digitally. Several factors are driving retail investors and Gen Zer's in particular towards finfluencers – the lack of regulation; the limited exposure to formal financial education; the attraction of the youth to digital media; the creative, educative and informative content that the social media influencers provide on finance. Regulation, therefore, is a necessity to ensure that the retail investor does not get scammed by fraudulent advice. The White Paper brought out by SEBI is a measure in the right direction. The SEBI needs to make it mandatory for finfluencers to display the logo of their advertisers on their social media posts to avoid conflict of interest. More importantly there is a need for improving levels of financial literacy among citizens so that they do not get taken in by financial (mis)advise doled out by tech savvy finfluencers. Engagement by professional investment advisors needs to be promoted. The problem is not just restricted to unscrupulous finfluencers. Mutual fund distributors do not charge their customers any money but get incentivized by the mutual fund companies themselves by receiving kickback. The risk here is that these advisers may end up promoting high commission products and investment in those mutual funds which offer them higher commission rates.

While a blanket ban on finfluencers is not the viable option, a permanent ban on those influencers who scam the financial ecosystem and are serial offenders needs to be considered as this will set a precedent and prevent other finfluencers from walking the same path. A ban for a temporary period may not necessarily bear a fruitful outcome. With AI virtually taking over our lives today, the SEBI should consider using high-tech AI and machine learning programmes to monitor and analyse the enormous volume of financial content spread on digital platforms to quickly detect any patterns of non-compliance and eliminate them, thereby maintaining the integrity of financial markets. Australia for instance has adopted 'Artemes' to monitor communication by financial advisors. India, with its growing Finfluencer landscape, can also benefit from implementing similar RegTech solutions. SEBI has already initiated steps in this direction. In 2022, SEBI launched FCCI's RegTech initiative developed in partnership with TeamLease Regtech (FICCI Press Release, 2022), a state of art technology solution that enables SEBI to track over 2000 SEBI Compliances and also facilitates auto-generation of select SEBI disclosures. By integrating these technologies, SEBI can improve its capabilities, ensuring compliance and safeguarding investors interests (Pandya & Dhulia, 2023).

Finfluencers flourish in an environment where there's a heightened demand for financial education. A study by the National Centre for Financial Education reveal that just about 27% of India's population is financially literate (Bomanwar, 2020). Just about 16.7% of Indian Students possess some understanding of money management (Business Standard, 2023). The country has a relatively low adult literacy rate compared to other nations like the US, Singapore or the United Kingdom. Lack of financial literacy is not a chimera but a problem in the room and needs to be addressed at the earliest.

The regulator SEBI, the RBI and other institutions have to step up awareness campaigns using the digital platforms that are popular among Gen Zers. The government and the regulatory authorities should resort to large-scale information campaigns to educate the general public about the dangers of following influencers. Such campaigns should specifically promote financial literacy and an attitude of doubt towards any external force attempting to dictate one's spendings.

Accessing financial information from You Tube, Tik Tok, Instagram and other digital platforms is a personal choice. Disseminating financial literacy with a view of ensuring that retail investors take informed investment decisions is a strategy that is the need of the hour. It is undeniable that finfluencers do have the capacity to share financial information to social media users. The problem arises when the information shared is compromised. Financial literacy is the key. While SEBI action against finfluencers is mandatory to mitigate the risks posited by the finfluencers, it is the primary responsibility of the investors to safeguard their own interests and make informed decisions while investing rather than be unduly influenced by finfluencers.

VII. Limitations of the Study

The study is limited by its objectives and the exclusive use of secondary data sources. The authors however believe that the paper will set the tone for further research based on primary data investigation on the operational characteristics and impact of finfluencers on retail investors.

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