FINFLUENCER IN INDIA: AN EMERGING FORCE IN NEED OF ETHICAL AND REGULATORY CLARITY

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ABSTRACT

The rapid rise of financial influencers or finfluencers in India has significantly transformed the way financial information is communicated and consumed. By leveraging social media platforms, finfluencers have democratized access to financial knowledge, making complex investment concepts more relatable and understandable for the general public. This has positively contributed towards enhancing financial literacy and encouraging wider participation in financial markets. However, this digital shift in financial advisory comes with certain risk such as exposure to unverified and biased financial advice or the persuasion towards risky investments. The content, often driven by commercial incentives rather than professional accountability, poses serious challenges to investor protection, trust in financial system and overall market stability. In light of these concerns, regulatory authorities such as Securities and Exchange Board of India have initiated efforts to address this issue.

This paper presents a comprehensive understanding of finfluencers, their evolution and associated legal and regulatory challenges. It critically analyses the existing regulatory framework governing finfluencer activities and explores recent policy initiatives aimed at curbing misinformation and safeguarding investor interests. This paper also provides the global regulations towards finfluencers and discusses a way forward for regulatory development. The findings have significant implications for policy makers and regulatory authority, highlighting the urgency of establishing robust ethical and legal framework.

I. Introduction

The landscape of financial advice has undergone a profound transformation over the past few decades. Traditionally, individuals seeking guidance on investments, savings and wealth management relied on financial advisors or wealth managers. These professionals were equipped with certifications and affiliations from established financial institutions and dispensed their advice in formal settings. Their advice was characterized by structured consultations, comprehensive analysis and tailored strategies to meet client's financial goals. This traditional model, though trusted and reliable, posed accessibility barriers due to high costs, language barriers, geographical constraints and complex jargons, alienating novice investors.

With the evolving time, people not just focussed on the traditional advice mechanism but also got interested in the financial education. They began searching for the options which could provide them information and knowledge quickly, on demand and without geographical, technological and linguistic constraints. This search was further supported by the digital revolution which profoundly transformed the way individual access, consume and act upon the information. The advent of technology and barriers to physical movement due to Corona Outbreak led to the birth of a class of influencers – one dealing in finance – finfluencers. (Kumar, 2024)

"The Lockdown gave people more time to look at their finances. They came to YouTube for informative content."

- CA Rachana Ranade (Finfluencer) (Rukhaiyar, 2024)

Amid this shift, the finfluencers started gaining momentum, further escalated by government initiatives such as ViksitBharat@2047 and Digital India Mission. These finfluencers leveraged platforms like YouTube or Instagram to share financial advice and information with millions of followers. They provide general investment information, promote investment products, offer guidance and also make investment recommendations (Espeute & Preece, 2024).

What makes finfluencers particularly compelling is their ability to translate complex financial concepts into simple content that resonates with diverse demographics. From bite-sized videos on budgeting tips to in-depth analyses of investment strategies, they cater to the growing appetite for financial literacy specially among younger, tech-savvy generations. Their influence on investment decisions is growing profusely(Sagar Balu Gaikwad et al., 2023). It is further amplified by the global reach of social media, enabling them to shape financial behaviors across cultural and regional contexts.

However, this rise is not without challenges. The informal nature of finfluencer-driven advice raises concerns about credibility, accuracy and ethical standards. The investors following their advice may be exposed to false information or misleading advice on social media platforms, resulting in poor decision making (Maniy.R.V. et al., 2023). Apart from this, instances of undisclosed sponsorship, purchased promotion and biased recommendations also highlight the potential risk associated with this phenomenon. At the same time, the cultural, generational and regional nuances concerned with the operation of finfluencer highlights the complexity of this emerging ecosystem.

Research Gap: With the growing influence of finfluencers, several studies have explored the influence of finfluencers on individual investors, the content and messaging strategies of finfluencers, monetization policies and cultural impact on finfluencers. However, a significant void exists in the realm of the regulatory measures concerning finfluencers. Embracing a descriptive approach and using a plethora of secondary data sources, this study describes how the finfluencers have evolved, highlights the reasons for need of ethical and regulatory guidelines and the current regulatory framework. Further the paper analyses the regulatory measures in different countries and suggests the measures for Indian regulatory authorities. The regulators of different countries, where the regulatory landscape regarding finfluencers is still evolving, can draw suggestions from this research paper.

The next section in the paper highlights the existing literature about finfluencers, followed by section III discussing about finfluencers and their evolution. Section IV highlights outline the need for ethical and regulatory guidelines. Section V describes the current regulatory framework. Section VI delves into the discussion about global regulations regarding finfluencers and the suggestions for Indian regulators. Section VII concludes the research paper.

II. Review of Literature

In recent times, the financial influencers or finfluencers have gained attention due to their role in transforming the way financial information is shared, assimilated or acted upon by the investors. Despite the increasing attention, the existing researches on finfluencers are scant. The limited available literature is discussed herein.

Studies such as those by Baviskar (2024) and Umakanth et al. (2024) highlight the growing prominence of finfluencers on social media platforms such as Instagram or YouTube. The rise of finfluencers has altered the way individuals approach financial decision making. Majority of young investors follow finfluencers on social media and admits that their decisions are influenced by the advice by these finfluencers (Umakanth et al. 2024). Vivek (2024) emphasize that finfluencers work for enhancing the financial literacy. Similarly, the finfluencers tend to generate interest in stocks, but their recommendations often lack long-term performance(Singh & Sarva, 2024). Research by Hayes & Ben-Shmuel (2024) and Ben-Shmuel et al. (2024) emphasized the role of content and messaging strategies in engaging audiences and building trust. Their storytelling approach to make complex financial concepts approachable attracts a vast community towards them (Fani Khoirotunnisa, 2024). Further researches by Zhu & Wang (2024) and Dr. S. Subramanian (2024) highlighted that finfluencer practices are influenced by cultural contexts along with the monetization strategies. Also, the credibility of finfluencers significantly affects risky investment intentions (Aren & Hamamcı, 2024).

III. Research Methodology

This study adopts a descriptive research design to explore the regulatory landscape governing finfluencers in India. The purpose is to understand how finfluencers has evolved, the need for ethical and regulatory guidelines, the current regulatory landscape and the way forward. The research is conceptual in nature relying on secondary sources for data. It is positioned as a review-based study, offering a critical discourse on regulatory approaches and reforms warranted in Indian regulations. The data is collected from news articles, official regulatory websites, peer-reviewed journals and white papers. The data collected from these sources was carefully analysed by the authors to understand and present the current legal structure, a global comparison and suggest policy measures for Indian regulators.

IV. Finfluencer and their evolution

The term ‘finfluencer’ is a combination of financial and influencer, which means someone who shares financial advice on social media (Mownten, 2024). According to SEBI, **finfluencers**, are those individuals who provide information, advice or recommendations on various financial topics such as investing in securities, personal finance, banking products, insurance, real estate investment, etc. through their engaging stories, messages, reels and videos on various social/digital media platforms such as Instagram, Facebook, YouTube, LinkedIn, Twitter, etc., and have the ability to influence the financial decisions of their followers.

Their influence stems from their content, credibility, consistency and the ability to connect with audiences. What makes finfluencers particularly compelling is their ability to translate complex financial concepts into simple content that resonates with diverse demographics. From bite-sized videos on budgeting tips to in-depth analyses of investment strategies, they cater to the growing appetite for financial literacy specially among younger, tech-savvy generations. Their influence on investment decisions is growing profusely (Sagar Balu Gaikwad et al., 2023). It is further amplified by the global reach of social media, enabling them to shape financial behaviors across cultural and regional contexts.

These finfluencers can be categorized as the professional and unprofessional finfluencers. The professional finfluencers are the Chartered Accountants (CA), Certified Financial Planners (CFP) or those with Masters in Finance specialization or those with a working experience, who had turned into either the part time finfluencers or the full time finfluencers. The non-certified/ unprofessional finfluencers are those who does not have a formal qualification or good working experience in the field but has begun their journey as finfluencers.

Finfluencers have become a vital yet informal part of the Indian financial ecosystem. They operate outside traditional institutional frameworks but wield tremendous influence over retail investor's behavior. They play a crucial role in spreading financial awareness, investment education and financial product promotion. Through digital platforms and fintech partnerships they are integrating themselves into the financial ecosystem. Their advancement reflects the digitization, democratization and decentralization of finance in India.

Evolution of Finfluencer

The evolution of finfluencers reflects a broader transformation in the way financial information is produced, disseminated and consumed. Initially the financial advice was transmitted only by the experts in financial markets. These were the professionals with some specified qualifications and experience. They were transmitted through physical modes via financial advisers or through news channels and radio shows. Though these sources provided structured and reliable financial information, they were not able to engage young and tech-savvy investors. This can be marked as the Early phase in financial information dissemination.

The technological intervention, a move towards digitalization and increased focus on accessibility drove the individuals towards online platforms. The introduction of blog posts and vlogs started serving as a medium of information. The increased affordability of smartphones and data packs further accelerated this information dissemination process. Though the world was moving towards digitalization, the outbreak of Corona virus which was declared a global pandemic in March 2020 changed the way people lived and worked. The pandemic necessitated 'lockdowns' and the 'Work from Home' culture resulted in a surge in online activity, interest in financial independence and participation in stock market. The volatility in markets, combined with economic uncertainties and increased free time, led many individuals to explore investment opportunities. This era marked a changing phase of financial landscape and led to emergence of a new genre of influencers - who combined financial knowledge with content creation skills – called finfluencers. Finfluencers provided financial information and knowledge in an easy-to-understand language attracting individuals. Some finfluencers opted for a more number oriented or quantitative approach while some focused-on narration and storytelling, engaging followers through their own stories (Ben-Shmuel et al., 2024).

Over time, the number of finfluencers has multiplied manifold. They have evolved in terms of their content strategy, expertise and impact. Some have developed their own mobile applications, courses, newsletters and investment platforms, transitioning from mere influencers to full-fledged financial entrepreneurs. They are not just increasing their followers but are working towards development of financial communities.

This evolution of finfluencers is not free from challenges. The unregulated nature of financial content on social media platforms has led to instances of misinformation and unqualified advice being shared with audience. Some finfluencers have been accused of endorsing risky investments or financial products without proper disclaimers or due diligence, purely for commercial gain. This has prompted financial regulators like Securities and Exchange Board of India (SEBI) to take note.

V. Need for Ethical and Regulatory Guidelines

Despite their positive impact, the rising influence of finfluencers raises several concerns.

1. Unregistered Status: Unregistered status of finfluencers is one of the major concerns since they act as unauthorized Investment Advisors (IA's) or Research Analysts (RA's) giving advice to retail investors. These advices may knowingly or unknowingly be biased or misleading. Due to lack of registration, they are free from any official code of conduct or ethics.

2. Market Manipulation: As the finfluencers has influence on their followers, the companies can approach them to manipulate the stocks for personal gain. Also, those finfluencers who have substantial interest in a particular company can persuade their followers towards investment in that company.

3. High Risk Investment: Finfluencers may promote high-risk investment opportunities that promise attractive returns without disclosing the risk associated. They may also promote volatile financial assets and risky virtual currencies which have unwarranted risk.

4. Views over reliability: The financial advice shared by finfluencers may be driven by the pursuit of views and likes, rather than commitment to deliver accurate and well researched information. This content- centric approach tends to compromise the credibility, depth and reliability of the financial guidance offered.

5. Qualification and skill sets: The genuineness of the qualifications, expertise, skill sets of the finfluencer is an area of concern (Joey Henriques et al., 2025). (Ramaswamy, 2023) observes that social media and the expansive reach of digital platforms have enabled individuals, even those without formal qualification or adequate financial expertise, to craft their image, construct compelling narratives anf cultivate a community of followers.

6. Transparency and conflict of interest: The possibility of financial product endorsement without adequate disclosure of interest and the compensation received for such endorsement can deceive the followers.

7. Psychological Influence: Finfluencers often appeal to emotions, creating FOMO (Fear of Missing Out), urgency or overconfidence among viewers. This emotional manipulation can lead to irrational investment decision. The psychological influence of

finfluencers can result in formation of psychological biases such as herding bias or confirmation bias.

VI. The Current Regulatory Framework

As of now India do not have any specific stringent regulations governing the finfluencers. However, Finfluencers must abide by the regulations such as Section 12 of SEBI Act, 1992 and The (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003. The former prohibits anyone from directly or indirectly engaging in any act, practice, or course of business that is fraudulent, misleading, or manipulative with regard to transactions on the stock exchange. Additionally, this legislation forbids the negligent or reckless distribution of material or advice that could sway the choice of securities investors. The (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 states that any statement made intentionally false or misleading to influence investors' investment decisions will be considered "manipulative fraudulent or an unfair trade practice."

But the finfluencers are not regulated in the similar ways as are SEBI registered Investment Advisors and Research Analysts. Which means that the finfluencers are not governed by SEBI(Investment Advisors) Regulations,2013 ; SEBI (Research Analysts) Regulations, 2014 and even the recent release "Advertisement code for Investment Advisers (IA) and Research Analysts (RA)" on April 5,2023 does not regulate finfluencers instead it requires the registered Advisers and Analysts to obtain prior approval from SEBI before distributing any kind of communication or advertising material, including on social media platforms or through any other online medium.

Apart from the rules by SEBI, the Advertising Standards Council of India (ASCI) issued influencer marketing guidelines in 2022, requiring influencers to disclose financial or other interests in endorsed products for transparency. Additionally, under the provision of Consumer Protection Act of 2019 influencers are legally expected to provide accurate information, disclose conflicts of interest, and avoid misleading commercial practices to protect consumer rights.

SEBI's Proposed Framework

The major highlight of the consultation paper of 2016 by SEBI was the amendment to PFUTP

Regulations (Prohibition of Fraudulent and Unfair Trade Practices) to completely forbid anybody other than Regulated Investment Advisor from offering trading tips or stock recommendations to general public by SMS, email, WhatsApp, etc. **This strategy drew hard criticism and thus SEBI opted against putting this stringent clause into effect.**

In the consultation paper of 2023, prohibiting the unregistered influencers from collaborating with regulated entities, registered intermediaries or their agents in order to publicize or advertise their goods or services. It also included those influencers who are registered with AMFI (Association of Mutual Funds in India), stock exchanges, or SEBI must adhere to their respective codes of conduct, follow SEBI's advertising guidelines, and provide necessary disclosures, including registration details and disclaimers. They cannot pay trailing commissions for referrals, **and** regulated entities must not share client information with unregistered entities.

Public comments were called on this consultation paper of 2023, which were discussed in the Agenda Notes publicised by the SEBI on its website on 2 July 2024.

1. To protect investors, SEBI proposes that regulated entities and their agents must not associate with anyone providing investment advice, recommendations, or return claims unless authorized by SEBI. It is their responsibility to ensure compliance and prevent engagement in prohibited activities.

2. It highlights that the proposal shall not be applicable on those providing educational content.

3. It is proposed to implement the aforesaid proposal by making the amendments to **Intermediaries Regulations**, **SECC Regulations** [(Stock Exchanges and Clearing Corporations) Regulations 2012] and **DP Regulations** [SEBI (Depositories and Participants) Regulations 2018].

The proposal is under consideration with the board drafted for the purpose.

VII. Discussion

In the post-pandemic era, social media influencers have increasingly dominated digital platforms such as Instagram, YouTube, Facebook, LinkedIn and Telegram. Using these platforms to disseminate a wide range of self-created content across various domains. Within this evolving digital landscape, finfluencers have emerged as prominent voices, offering content related to stocks, personal finance and investments. However, their growing influence has drawn regulatory attention. The Securities and Exchange Board of India (SEBI) – the country's capital market regulator – has been compelled to initiate action against those finfluencers found engaging in unethical or misleading practices.

If we look at the global scenario, in **USA**, finfluencers are mandatorily governed by **Securities Act of 1940**, which restricts individuals from offering investment advice without proper licensing. Similarly, the **United Kingdom**, through **Financial Conduct Authority (FCA)**, has been regulating social media usage by finfluencers since 2014. The FCA mandates that all financial promotions must be fair and not misleading - assigning responsibilities to the content creator as well as the platform. The **Monetary Authority of Singapore (MAS)** has enforced rules surrounding customer confidentiality, market behavior and reputational concerns, reinforcing the notion that finfluencer content must align with existing financial advisory regulations. In **Australia**, the **Australian Securities and Investment Commission (ASIC)** has not only issued awareness brochures to educate influencers and consumers but also introduced stringent penalties, including up to 5 years of imprisonment for providing unlicensed financial advice. **France** has gone a step further by banning the promotion of financial products through collaboration with finfluencers. This reflects a strong commitment towards investor protection. Meanwhile, European regulators, through the European Securities and Markets Authority (ESMA), have explicitly defined the terminology and guidelines explicitly. They have clearly defined what forms the investment recommendations and the way to present it on social media. The penalties for breach of guidelines has been clearly marked barring the finfluencers from unethical practices. **New Zealand** has defined the code of behavior for Finfluencers. It has further adopted a tiered licensing mechanism based on the complexities of financial advice, while mandating the disclaimer statement and risk warnings while sharing the content.

In contrast, the Indian regulatory framework is still evolving. Thus, we suggest the way forward for Indian regulators. **First**, there is a requirement of clear definition and categorization of finfluencers. Finfluencers can be categorized based on the content provided by them or the number of followers. This will clearly help in identifying who all are under the umbrella of the finfluencer rules and regulations, making the governing process less complex. Categorizing finfluencers based on their content can define the niche they are targeting which will ease the regulation formation and implementation process. **Second**, establishing a separate regulatory board for regulating finfluencers will lead to transparency. Further all the finfluencers should be mandated to register themselves with that board which can screen the qualification and authenticity of the finfluencers. Further this board using cutting-edge technology such as AI and machine learning could track the finfluencers and their advice through all platforms, monitor and analyze enormous volume of financial content on digital platforms to detect the patterns of non-compliance and eliminate them. **Third**, mandating the disclosure of registration number, paid partnership, risk involved and substantial interest will help in enduring the transparency in the financial content. **Fourth**, similar to Australia, India should also impose stricter penalties and punishment for violation of rules and regulations. **Fifth**, with the growing Finfluencer landscape, India should initiate something similar to RegTech solutions. **Sixth**, finfluencers flourish in an environment where there is a heightened demand for financial education. According to a report by Business Standard (2023), only 16.7% possess understanding about money management (Joey Henriques et al., 2025). A study by National Centre for Financial Education reveal that India has mere 27% financially literate population (Bomanwar, 2020). Thus, efforts should be directed towards education more and more youth towards money management and to increase financial literacy level. Also budding and naïve investors should be educated about stock market, its volatility and also how there emotions can affect their decision making.

VIII. Conclusion

Finfluencers have undeniably emerged as influential agents in promoting financial literacy through digital platforms. A range of factors contribute to their growing importance, especially among retail investors and Gen Z audience. These include the absence of stringent regulatory oversight, limited access to formal financial education, increasing engagement of youth with digital media and the compelling, educational and accessible financial content shared by finfluencers. Given the landscape, the introduction of a defined regulatory framework for finfluencers and their activities in India is necessitated, wherein the regulatory framework should strike a balance between protecting investors from misinformation and encouraging financial literacy without hampering the creativity displayed by these finfluencers.

Further, transparent disclosure norms, ethical advertising standards, and AI-driven content validation could enhance trust in finfluencers and the collaborative efforts by SEBI, fintech companies, and content creators could help shape a sustainable finfluencer ecosystem deriving more benefits for investors and the people of India.

Thus, in a nutshell we can conclude that the rise of finfluencers reflects the increasing digitization of financial education, but without clear regulatory oversight, the risks to investors remain significant. While India has taken steps toward regulating financial influencers, a more structured approach—aligned with global best practices—will be crucial in ensuring ethical and responsible financial content creation.

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