

Finfluencers, money decisions and the question of trust

To stay safe, stick to the minority that has a Sebi licence for offering advice

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Only 6.3 per cent of the 48 financial influencers, or finfluencers, studied were registered with the Securities and Exchange Board of India (Sebi), although 33.3 per cent provided explicit stock recommendations, according to the “Clicks and Credibility 2.0” report by the CFA Institute’s Research and Policy Centre.

Finfluencers can simplify financial concepts and widen access to information. However, investors must understand the risks, regulatory gaps and potential conflicts before acting on their content.

Why finfluencers appeal

Economic and capital-market growth has increased retail investors’ interest in equities and other financial products. At the same time, gaps in their financial knowledge push them towards finfluencer content. The expansion of online platforms and growth of do-it-yourself investing after the Covid pandemic have also provided impetus to this trend.

“The bull run from 2020 to 2024 accelerated the growth of finfluencer content,” says Anmol Sharma, content creator, FinancebyAnmol.

Technology and social media increasingly shape how younger and newer investors acquire financial knowledge. “Younger investors prefer accessible, real-time financial guidance through social media and digital channels,” says Arati Porwal, senior country head-India, CFA Institute.

Finfluencers make financial information appear interesting and draw viewers with relatable, easy-to-follow social-media posts. “Their crisp, engaging content with graphic overlays attracts viewers,” says



M Pattabiraman, associate professor and founder, IIT Madras and Freefincal.

Financial creators also simplify complex topics. “They provide simplified summaries of rule changes, topical news and fund reviews,” says Pattabiraman.

Traditional financial advice, on the other hand, may not always be easily accessible or affordable. Its perceived complexity and cost can make finfluencer content more appealing. “Investors also tend to fear that traditional advice will expose their errors of omission or commission,” says Vishal Dhawan, chief executive officer (CEO) and founder, Plan Ahead Wealth Advisors.

Responsible content benefits

Responsible finfluencer content can support investor education. “They can spread awareness of the nuances involved in investment decisions. Their diversity and ability to connect with audiences can increase Gen Z’s willingness to engage with financial content,” says Porwal.

Finfluencer content can make saving, investing, tax planning and budgeting easier to access. When it is of high quality and authentic, free finfluencer content can act as a

low-cost alternative to professional advice.

“Content creators can use data and analysis to explain market events without resorting to hype, help viewers identify scams, avoid poor financial decisions, encourage long-term investing over short-term speculation, and improve their understanding of risk,” says Sharma.

Beware of conflicts

Low entry barriers to content creation on social media create the risk that bad actors enter this arena and offer unverified or questionable advice. Many creators lack expertise in the subjects on which they advise.

“When the players offering advice are unregistered with the regulator, their advice carries no accountability,” says Dhawan. Sometimes their advice is too generic to suit every investor’s circumstances.

About 37.5 per cent of the finfluencers analysed in the CFA Institute report did not adequately disclose the existence of sponsored content or affiliate marketing. “Undisclosed sponsorships and affiliate marketing create conflicts of interest,” says Porwal.

Vested financial interests often lead to advice that is bi-

ased and harmful to investors. “Paid product reviews can encourage positive coverage of stocks, bonds or financial platforms,” says Pattabiraman.

Monetary or non-monetary support from providers may cause creators to understate the risks of high-risk instruments and strategies. “Content on futures and options or trading, for instance, can be highly risky when it is not labelled accordingly,” says Dhawan. Creators may also fail to highlight the high expenses of some financial products.

Rules tightened

Sebi has strengthened its surveillance of finfluencers and enforcement against violations. The regulator can impose fines, market bans and disgorgement for unregistered stock tips or advisory activity.

Advertising norms have also become stricter. Regulated intermediaries cannot pay referral fees or trail commissions to, or sponsor, unregistered finfluencers. Sebi also requires regulated entities and their agents to display their registration details on social media.

Sebi restricts unregistered educators from using real-time market data. Sponsored educational material must use

stock-price data that is at least three months old. Profit-and-loss screenshots and guaranteed-return claims are prohibited.

Porwal says standardised disclosure norms and a dedicated Finfluencer Code of Conduct would help.

Investors must recognise that Sebi cannot practically regulate every finfluencer because their population is too large. “The regulator’s measures work only partially because advice is often delivered through private channels or offline. The thin line between education and advice also hampers enforcement,” says Dhawan.

Checks before acting

Verify a content creator’s Sebi registration, qualifications and certifications before acting on their advice. “Do not treat a term like ‘Sebi compliant’ used by a finfluencer as being equivalent to ‘Sebi-registered,’” says Porwal. Investors should check the creator’s experience across market cycles.

Investors must distinguish educational content from promotions and explicit recommendations. “Creators often combine public educational channels with private groups that give recommendations. Also, beware that a low-cost workshop or product may be used to upsell a more expensive product,” says Pattabiraman.

Understand how the creator earns revenue and their sources of business income. “Viewers should check descriptions for affiliate links containing the creator’s or channel’s name. An affiliate link is a red flag when a creator speaks positively about a product or platform,” says Pattabiraman.

Avoid creators who promise guaranteed, exaggerated or risk-free returns. Check whether the costs, fees and taxes of products have been disclosed.

Finally, verify advice and claims of high returns through multiple independent sources. “Rely on personal scepticism and independent due diligence instead of accepting easy answers,” says Pattabiraman. Read Online