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Finfluencers and Financial Frauds: Emerging Risks for Young Investors in India

Dr. Dhara Mehta

Assistant Professor,
SEMCOM,
Charutar Vidya Mandal (CVM) University,
Vallabh Vidyanagar, Anand, Gujarat, India

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ABSTRACT

The quick rise of social media has changed how financial information is consumed in India. Financial influencers, known as "finfluencers" have become important sources of investment advice especially amongst young and newbie investors, for whom digital platforms such as YouTube, Instagram, Telegram and X (previously named Twitter) serve as valuable sources of financial information. While finfluencers have democratized financial education and enhanced participation in financial markets, these developments have come with significant risks linked to noise, market manipulation, unregistered investment advice and financial fraud. The increase of pump-and-dump schemes, deceptive stock recommendations, undisclosed sponsorship deals and exaggerated claims of profitability has raised the alarm of regulatory authorities and investor protection agents. The research aims to study the influence of finfluencers on investing patterns of young people and analyse risks connected with fraudulent practices emerging in influencer-supported financial content. The qualitative research is conducted via secondary data studies, including literature reviews, monitoring of regulatory developments and gathering industry reports. The results indicate that young investors are particularly vulnerable because of their high illiteracy levels in finance, FOMO, overconfidence and excessive trust towards social media personalities. The research concludes that while finfluencers may be beneficial in terms of raising financial literacy, there could be a need for stronger regulations, digital literacy programs and relevant disclosure requirements.

Keywords: *Finfluencers, Financial Fraud, Young Investors, Social Media, Investment Behaviour, Financial Literacy*

1. INTRODUCTION

The advent of digital technology has had a profound effect on the financial system across the globe. Especially in India, the growing use of the internet and adoption of smartphones have allowed the citizens to participate in the capital markets. Young investors like GenZ and Millennials now prefer to find information on investments from social media instead of approaching traditional financial consultants. This has resulted in the emergence of a new class of digital creators known as finfluencers who advise the investor and about financial literacy and other money matters. (Ahuja,

2024) (Venugopal, 2026)

Finfluencers have made financial literacy accessible to the masses by breaking it down into simple concepts. By sharing content in the form of videos and live interactive sessions, they have gained millions of followers. Therefore, many retail investors today look out for these influencers' help regarding issues related to stocks, mutual funds, crypto currency, derivatives, and personal financial planning. (Mr. Nakul & Kheriya, 2025) Research indicates that YouTube and Instagram have become the most preferred platforms for investment-related information by young Indian investors. (Singh & Sharma, 2025)

Nonetheless, the rise of finfluencers has brought about major issues related to the reliability of online financial advice. Unlike certified financial planners, many finfluencers give financial advice without being subject to control by authorities, often without having the required education and licenses. As a result, investors might be subject to a wrong perception and wrong investment options based on unreliable information and development of conflicts of interest. (Ahuja, 2024)

The emergence of more and more investors driven by the ideas of social networks continues together with the appearance of psychological biases such as fear of missing out, herd behaviour, and excessive trust in oneself. Young investors nowadays prefer investment recommendations based on popularity and influencer opinions rather than conducting thorough research.

Keeping in mind these risks faced, the Securities and Exchange Board of India (SEBI) has taken initiatives to control the dealings between registered intermediaries and unregistered finfluencers. This regulatory change reflects the increasing fears about the role of social media in making financial decisions and the necessity of shielding retail investors from possible frauds and market manipulations. (Sharma, 2025)

In the light of this, the study explores risks from the finfluencer-driven financial content and assesses the effects of these risks on young investors in India.

2. LITERATURE REVIEW

In recent times, the rise of finfluencers has drawn considerable interest from scholars. Previous studies propose that these influencers have a double-edged effect as they increase financial literacy and make people get engaged in activities guided by unproven information. Research depicts that young investors usually see finfluencers as trustworthy due to their personal face and ability to explain complicated financial subjects. (Jha & Jose, 2025)

Studies in investment behaviour show that trust in finfluencers has a direct impact on financial practices. Many young people trust the recommendation of famous influencers, which makes them likely to follow their advice in investments. However, excessive trust causes them to neglect critical analysis and act impulsively. (Singh & Sharma, 2025) (Madan, 2025)

The studies further revealed that social networks like Twitter show behavioural biases like the fear of missing out and the herd behaviour, where people invest in markets after seeing influential persons report high returns or sing praises of specific securities. This kind of behaviour makes them prone to scams and speculative investments (Khosla, Kumar, Gupta, & Gautam, 2025)

The increasing corpus of research also discusses the interaction between financial literacy and the vulnerability to `influencers' advice. Previous research indicates that people with a solid financial background are less susceptible to influencer-based recommendations compared to novice investors who undertake such advice without questioning (Jha & Jose, 2025)

The regulatory aspect is another direction of research. According to SEBI, there is an upward trend in unregistered persons providing investment advice through various digital platforms. This led the regulator to impose restrictions on registered persons, which do not allow them to work with unregistered `finfluencers` (Ahuja, 2024) (SEBI)

Although there have been several studies on the behaviour of finfluencers, not many studies have looked at their relationship with financial fraud and investor vulnerability in India. This study aims to fill the research gap by studying the fraud risks that young investors are facing.

3. METHODOLOGY

3.1Research Design

The research design used for this study is qualitative descriptive research design, which is entirely based on the analysis of secondary data. Qualitative is considered to be the most appropriate type of approach for the purpose of this research since it studies the role of finfluencers in influencing investment patterns of young investors and investigates the financial risks that can arise from the use of social networks with regard to financial content. This paper provides so much research through reviewing existing literature rather than collecting any primary data.

3.2 Data Sources

The research paper entirely depends on secondary data obtained from credible and authoritative sources. The data were collated after conducting an extensive review of:

- Peer-reviewed research papers published in academic journals.
- Papers and proceedings presented at conferences relating to finfluencers, investment behaviour, financial literacy and digital finance.
- Reports, consultation papers, circulars and policy documents from the Securities and Exchange Board of India (SEBI).
- Empirical studies published that address finfluencers, social media investment, behavioural finance and financial frauds.

3.3 Data Collection Procedure

The secondary data have been gathered following the systematic literature survey method through online databases and official websites. Here, the emphasis has been on the recent studies being published between 2020 and 2026 that reflect the dynamically changing nature of digital financial influence and regulatory scenario in India. Duplicate studies, non-academic blogs, opinion pieces with no empirical content and unreliable online sources have been ruled out for maintaining data credibility.

3.4 Scope of Study

The study is limited to India's financial market and evaluates the role of finfluencers on the behaviour of young investors, presenting research available in literature, regulatory reports and reports from industry. This research targets financial information disseminated via channels like YouTube, Instagram, Telegram and X (previously Twitter). The research also examines newly emerging risks of frauds that relate to investment guidance from influencers, such as incorrect advice and undisclosed promotions. The paper explores different regulatory actions taken by the Securities and Exchange Board of India (SEBI) to enhance the investor's protection in digital financial ecosystems. The study material for the research will be based only on secondary data taken from published research papers, official publications and other reliable sources.

4. RESULTS

The results of this research are based on a thorough assessment of different reference materials, such as peer-reviewed journal articles, SEBI reports, documents outlining policies and industry publications. The review identifies a number of repeating themes related to the impact of finfluencers on investment behaviour and the related risks of financial fraud in young investors in India.

4.1 The Rise of the Finfluencer Impact

The literature review shows that social media has become one of the principal channels of financial information for young investors in India. Financial influencers have become exceptionally popular as they have made investments easier to understand by transmitting financial knowledge through various digital platforms like YouTube, Instagram, and Telegram and X (previously known as twitter). Research states that the rise in accessibility and popularity of these platforms has led to higher activity of retail investors in financial markets. (Singh & Sharma, 2025)

4.2 Trust-Based Decision Making

Research shows more often than not that young investors consider finfluencers trustworthy sources of financial information. In support of the findings, previous studies indicated that trust is driven mainly by the number of followers, quality of content, reputation and expertise perceived rather than professional qualifications or regulatory licenses. As a result, numerous investors rely on recommendations from the influencers while making investments. (Madan, 2025)

4.3 Prevalence of Misinformation

The reviewed literature suggests that there is increasing concern about the spread of false, incomplete, or misleading financial information in social networks. For instance, few studies note that some finfluencers give investment advice without the proper regulatory approval or do not indicate that the particular promotion pays them in one way or another thus creating asymmetry in information and increasing investor risk. (SEBI)

4.4 Emerging Financial Fraud Risks

Studies of relevant literature have uncovered various types of financial fraud associated with influencer-led investment content. Some of the most frequently described fraudulent practices are pump-and-dump schemes, false information about guaranteed/high returns, undisclosed paid promotions for stock, failure to disclose affiliate marketing, fake trading success stories, and the sale of unverified investment classes. It seems that all these practices are targeting inexperienced and naïve retail investors.

4.5 Behavioural Vulnerabilities of Young Investors

The studies reviewed show that behavioural biases greatly influence young investors. The psychological bias of fear of missing out (FOMO) and other biases, such as herd behaviour, overconfidence, confirmation bias and lack of financial literacy, are found to contribute considerably to the susceptibility of investors to various false information manipulations and frauds advertised through social media sources. (Khosla, Kumar, Gupta, & Gautam, 2025)

4.6 Regulatory Developments

An examination of the regulations serves to show that the SEBI has acknowledged the growing role that unregulated financial influencers have been playing among retail investors. Recent regulatory efforts focus on limiting the relationship between authorized market intermediaries and unauthorized investment advisers, improving disclosure requirements and improving the level of protection for investors in the digital financial environment. (Sharma, 2025)

5. DISCUSSION

The information retrieved continuously from the review of previous literature proves that finfluencers have already become an important part of the Indian digital financial environment. The available studies suggest that financial influencers have enhanced the accessibility of financial information and made more aware about investing opportunities. The article also highlights some troubling aspects of the validity and legitimacy of the financial information disseminated by influencers. Unlike certified financial advisers who must work within the applicable regulatory framework, many influencers lack the qualifications to give financial advice. Thus, lack of accountability brings about the dangers of misinformation, ethical issues and possible conflicts of interest.

According to behavioural finance theories, the research shows that social media has facilitated such behavioural patterns as Fear of Missing Out (FOMO), herd mentality, overconfidence and confirmation bias. As a result, people tend to follow the advice given by influencers while failing to analyse their investment decisions.

The reviewed literature highlights the role of financial literacy in minimizing investors' vulnerability. People with high financial literacy are capable of evaluating investment information critically and making reasonable investment.

The assessment of the literature regarding regulations also points towards the clear indication that SEBI has taken some steps to address the threats from finfluencers due to tougher requirements for disclosure and restrictions in terms of partnerships between licensed intermediaries and those involved in financial communication illegally. While these measures can be seen as evidence of the progress made in this field, the study suggests further monitoring and accountability of digital platforms and cooperation among regulators, universities and social media firms to deal with the risks associated with financial fraud effectively.

Thus, it can be concluded from the analysis of evidence that even though finfluencers help in the development of financial culture and active participation in financial markets, lack of supervision and the presence of cognitive biases may raise significant risks for young investors.

6. CONCLUSION

In this research, the rising significance of financial influencers (finfluencers) and the risks of financial fraud connected with them for younger investors in India are studied via the analysis of secondary information such as scholarly articles, rules and regulations, as well as industry papers. The results show that finfluencers have greatly revolutionised the way retail investors obtain and perceived financial information. By making complicated financial ideas easier and promoting knowledge about investment opportunities, they have made their contribution towards improving financial inclusion and increasing participation in capital markets.

Nonetheless, the investigation lists numerous problems linked with financial communication that is driven by influencers. The lack of necessary legislative guidance for some financial content authors plus misleading investment statements, promotional efforts that are not clearly declared and wrong advice means that novice investors face greater risks. The literature shows that young investors are particularly prone to those risks because of their behavioural tendencies like the fear of not acting when it is necessary (FOMO), group conformity, overconfidence, and low financial literacy.

Moreover, it should be noted that the threats posed by finfluencer fraud do not stop with individual losses incurred by investors, but rather contribute to a decline in the overall credibility of the market by encouraging speculative actions and decreasing faith in financial media. The attempts made by SEBI can be viewed as important steps towards promoting transparency and investor protection, but this is not enough as the issues related to new regulation adjustments in line with the rapidly changing economics of the digital world still remain unresolved.

Finally, the findings indicate that the finfluencer concept can be interpreted as a double-edged sword in the Indian financial sector. While providing good opportunities for investors to learn financial realities and engage in profitable transactions, the effects of this new phenomenon on the Indian financial world can only be intensified by better disclosures, responsible behaviour of finfluencers producing content, improvement of the accountability of social media platforms and enhancement of financial literacy among the users.

Future works can build upon these studies through primary data methods such as investor surveys and behavioural experiments to establish the empirical relationship between the credibility of finfluencers and investor trust, financial literacy and their decisions on investments.

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