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The Impact of Social Media Financial Influencers on the Investment Decisions of Retail Investors: An Empirical Study

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Abstract - Social media has changed how retail investors find, interpret, and share financial information. Financial influencers — "finfluencers" — use YouTube, Instagram, LinkedIn, X, and similar platforms to share investment opinions, education, and market commentary. This study looks at how these influencers affect retail investors' decisions, focusing on perceived credibility, financial knowledge, information quality, trust, social influence, and how useful investors find influencer content. The approach is quantitative: primary data collected from retail investors through a structured questionnaire, analysed with descriptive statistics and appropriate inferential tests. The aim is to see how much retail investors actually lean on finfluencers when picking investment products, reading market signals, or deciding to buy, hold, or sell. The results should be useful to investors, financial educators, regulators, and the content creators themselves in encouraging more informed, responsible investing.

Keywords: Financial Influencers, Retail Investors, Social Media, Investment Decisions, Investor Behaviour, Financial Literacy

1. INTRODUCTION

Retail investors used to get their information from newspapers, TV, brokers, and advisors. That has changed. Digital platforms now let investors pull market information directly, swap ideas with strangers online, and watch how other people are trading in real time.

Financial influencers are one of the biggest parts of that shift. They post about stocks, mutual funds, personal finance, crypto, and financial planning, usually in a simpler, more casual format than traditional financial media — which is exactly why people with little formal training in finance can follow along.

Because platforms like YouTube, Instagram, LinkedIn, Facebook, and X reach so many people, influencer content doesn't stay at the level of education. It shapes actual decisions. Investors use it to spot opportunities, size up a stock, or form a view on a product they were considering anyway. That's the appeal — investing looks less intimidating when someone breaks it down in a ten-minute video. It's also the risk. The same channel that simplifies also carries misinformation, undisclosed bias, paid promotion, and herd behaviour dressed up as advice.

How much influence a given creator has probably comes down to a few things: whether investors see them as credible and transparent, whether the information itself holds up, and how much investors are swayed by what everyone else online seems to be doing rather than by their own research.

Retail investors matter here specifically because, unlike institutional investors, they vary enormously in financial literacy and experience — which raises the real question this paper is built around: how far do social media financial influencers actually move retail investors' decisions, and is it a healthy influence or an unhealthy one?

The study looks at credibility, trust, information quality, perceived usefulness, financial knowledge, and social influence as the factors most likely to explain that effect.

2. BACKGROUND OF THE STUDY

Cheaper smartphones and internet access opened financial information up to a much wider audience than before. Market updates, tutorials, stock analysis, and personal finance advice are now a scroll away instead of something you'd have to seek out from a broker or a newspaper.

Finfluencers built their following inside that gap. They talk to audiences through video, short clips, live streams, posts, and podcasts, and they tend to do well when they can take a complicated financial idea and make it feel relatable.

For retail investors, that can be genuinely useful — more awareness, clearer explanations, an easier way into products they'd otherwise ignore. But the quality varies a lot from one creator to the next. Some hold real financial qualifications and stick to education; others are just sharing opinions with no training behind them, and some content is sponsored without

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investors realising it. An investor who can't tell the difference between an independent explainer and a paid pitch is making decisions on shakier ground than they think.

That gap is worth studying on its own, which is what this paper sets out to do — looking at both the information side (is the content actually good?) and the behavioural side (do people follow it anyway, regardless of quality?).

3. PROBLEM STATEMENT

Finfluencers have become a real source of investment information for retail investors, and probably a source of financial awareness too. But that same content can pull investors toward decisions made without much independent checking — recommendations, price predictions, and stock picks taken more or less at face value.

How much investors accept and act on this kind of content likely depends on the influencer's perceived credibility, the trust built up over time, how good the information actually is, and how strongly other people's visible behaviour (likes, comments, "everyone's buying this") pulls investors along.

The central question:

"To what extent do social media financial influencers influence the investment decisions of retail investors, and which factors determine the level of influence?"

4. OBJECTIVES OF THE STUDY

- Examine how social media financial influencers affect retail investors' investment decisions.
- Identify the main factors behind retail investors' reliance on financial influencers.
- Examine the relationship between an influencer's perceived credibility and investors' decisions.
- Analyse how trust in financial influencers shapes investment behaviour.
- Test whether the perceived quality and usefulness of influencer content affects investment decisions.
- Study how financial literacy and investment experience shape investors' dependence on finfluencers.
- Examine the role of social influence and herd behaviour in decisions driven by social media content.

5. RESEARCH QUESTIONS

- Do social media financial influencers significantly influence retail investors' investment decisions?
- Does perceived credibility affect those decisions?
- Does trust in an influencer make investors more willing to follow their recommendations?
- Does the quality and usefulness of the information itself affect decisions?
- Does financial literacy change how much investors rely on influencers?
- Does social influence contribute to decisions based on social media content?

6. HYPOTHESES OF THE STUDY

$H0_1$: There is no significant relationship between perceived credibility of social media financial influencers and retail investors' investment decisions. **$H1_1$:** There is a significant relationship between perceived credibility of social media financial influencers and retail investors' investment decisions.

$H0_2$: There is no significant relationship between trust in social media financial influencers and retail investors' investment decisions. **$H1_2$:** There is a significant relationship between trust in social media financial influencers and retail investors' investment decisions.

$H0_3$: There is no significant relationship between the perceived quality of financial information provided by social media influencers and retail investors' investment decisions. **$H1_3$:** There is a significant relationship between the perceived quality of financial information provided by social media influencers and retail investors' investment decisions.

$H0_4$: There is no significant relationship between social influence and retail investors' investment decisions. **$H1_4$:** There is a significant relationship between social influence and retail investors' investment decisions.

$H0_5$: There is no significant relationship between financial literacy and retail investors' reliance on social media financial influencers. **$H1_5$:** There is a significant relationship between financial literacy and retail investors' reliance on social media financial influencers.

7. CONCEPTUAL FRAMEWORK

Independent variables — perceived credibility, trust, information quality, perceived usefulness, social influence, financial literacy — feed into *social media financial influencer content*, which shapes *investor reliance on that content*, which in turn affects the *dependent variable*: retail investors' investment decisions.

That final variable can be measured through:

- Intention to invest based on influencer content
- Purchase of recommended securities
- Change in existing investment decisions
- Buy/hold/sell decisions
- Willingness to follow investment recommendations
- Frequency of checking influencer content before investing

8. REVIEW OF LITERATURE

8.1 Social Media and Financial Decision-Making

Social media gives investors more information and more perspectives than they had before, and it moves fast — but volume isn't the same as quality. Investors often struggle to tell a reasoned analysis apart from someone's gut opinion.

8.2 Financial Influencers and Retail Investors

Financial influencers focus on investment education, planning, market analysis, and recommendations, usually pitched in plain language for people without a finance background. That effect looks strongest among younger retail investors, who spend more time on these platforms to begin with and tend to weigh an influencer's perceived expertise and authenticity heavily.

8.3 Credibility of Financial Influencers

Whether people act on what an influencer says often comes down to how knowledgeable, experienced, and transparent that person appears to be. Credibility matters more in finance than in most other content categories, simply because a bad call costs real money — so investors tend to check an influencer's track record before trusting their word on anything.

8.4 Trust and Investment Decisions

Trust builds over time: consistent posting, a sense of transparency, demonstrated knowledge, and just showing up for followers repeatedly. Investors who trust a source are more likely to act on its advice. The downside is that trust can tip into overdependence, where investors stop bothering to check things themselves.

8.5 Information Quality

Content that's accurate, relevant, timely, and easy to follow tends to help investors make better calls. Content that's misleading, incomplete, or built on exaggerated claims and unsupported predictions does the opposite.

8.6 Social Influence and Herd Behaviour

Likes, shares, view counts, and follower numbers all make a post look more legitimate than it might actually be. A widely shared stock pick can create the impression that "everyone" is buying in, and investors follow that impression rather than doing their own homework — especially when markets are volatile and people want an easy answer.

8.7 Financial Literacy and Investor Behaviour

Investors with a stronger grasp of financial concepts are generally better placed to pick apart influencer content and judge it critically. Investors with less financial literacy tend to lean more directly on whatever recommendation is handed to them. Financial literacy, in other words, looks like the variable that decides how much power a finfluencer actually has over someone's decisions.

9. RESEARCH METHODOLOGY

9.1 Research Design

Descriptive and analytical.

9.2 Research Approach

Quantitative, using primary data collected through a structured questionnaire.

9.3 Population of the Study

Retail investors who use social media to access financial or investment-related information.

9.4 Sampling Method

Convenience or purposive sampling, depending on how accessible respondents turn out to be. Respondents should have some investment experience and use at least one social media platform.

9.5 Sample Size

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[To be finalised — let me know the target number: 100, 150, 200, or 300, and I'll adjust the methodology and statistical plan to fit.]

9.6 Data Collection

A structured questionnaire covering demographics plus statements measuring each variable, using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

9.7 Data Analysis Techniques

- Frequency and percentage analysis
- Descriptive statistics
- Mean and standard deviation
- Reliability analysis (Cronbach's Alpha)
- Correlation analysis
- Regression analysis
- Chi-square test, where applicable
- ANOVA or t-test, where applicable

Which of these actually get used depends on the final research questions, the scales chosen, sample size, and how the collected data is distributed.

10. PROPOSED QUESTIONNAIRE VARIABLES

Variable	Sample Measurement Statement
Perceived Credibility	I consider financial influencers to be knowledgeable about investment matters.
Trust	I trust the investment-related information provided by financial influencers I follow.
Information Quality	Financial influencers provide useful and relevant investment information.
Perceived Usefulness	Financial influencer content helps me understand investment opportunities.
Social Influence	I am influenced by investment decisions discussed by other people on social media.
Financial Literacy	I have sufficient knowledge to evaluate investment-related information independently.
Investment Reliance	I refer to social media financial influencers before making investment decisions.
Investment Decision	Financial influencer content has influenced my decision to buy, hold, or sell an investment.

11. DATA ANALYSIS AND INTERPRETATION

(To be completed once survey data is collected.)

11.1 Demographic Profile: age, gender, education, occupation, monthly income, investment experience.

11.2 Social Media Usage: most-used platform, frequency of consuming financial content, number of influencers followed, time spent on financial content.

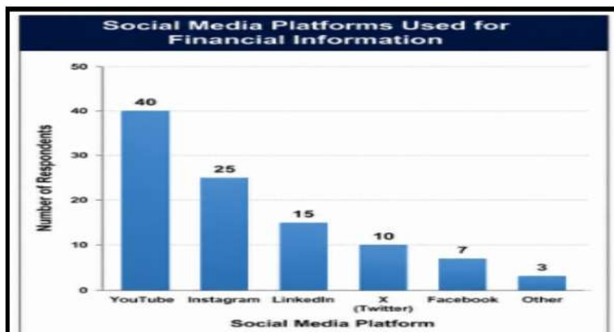

Fig.-1: Social Media Platforms Used by Retail Investors for Financial Information

11.3 Investment Profile: preferred products, investment frequency, experience, average investment amount/category.

11.4 Descriptive Statistics: mean and standard deviation for credibility, trust, information quality, perceived usefulness, social influence, financial literacy, and investment decision.

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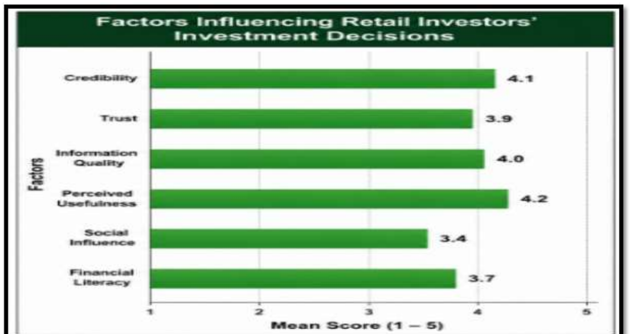

Fig.-2: Factors Influencing Retail Investors' Investment Decisions

11.5 Reliability Analysis: Cronbach's Alpha to check internal consistency of the items measuring each construct.

11.6 Correlation Analysis: strength and direction of relationships between the independent variables and investment decisions.

11.7 Regression Analysis:

$$\text{Investment Decision} = \beta_0 + \beta_1(\text{Credibility}) + \beta_2(\text{Trust}) + \beta_3(\text{Information Quality}) + \beta_4(\text{Perceived Usefulness}) + \beta_5(\text{Social Influence}) + \beta_6(\text{Financial Literacy}) + \varepsilon$$

This should point to which factor actually drives investment decisions the most, rather than just which ones correlate.

12. EXPECTED FINDINGS

Finfluencers likely have a real, measurable pull on retail investors' decisions, and how strong that pull is probably tracks with credibility, trust, and how useful the content actually is. Investors who see a creator as knowledgeable are probably more likely to weigh their opinions seriously; investors who find the content genuinely useful probably lean on social media more heavily for investment information.

Social influence should show up as a behavioural factor in its own right — popular trends and widely shared recommendations pulling investors along with the crowd. Financial literacy is likely to work the other way, as a brake: more financially literate investors probably treat influencer content as one input among several, while less literate investors are more likely to just act on what they're told.

13. DISCUSSION

Financial influencers open up access to financial knowledge in a way traditional channels never really managed. That's the upside.

The problem is that most retail investors don't have the training to critically evaluate what they're watching, and social proof — the view count, the follower number — creates a sense of legitimacy that has nothing to do with whether the advice is actually good. So the honest answer here isn't "finfluencers are good" or "finfluencers are bad." It depends on the quality of what's being said, how credible the person saying it actually is, how financially literate the investor is, and whether that investor bothers to check anything independently.

14. IMPLICATIONS OF THE STUDY

14.1 For Retail Investors: Treat influencer content as one source among several, not a replacement for your own research. Verify before acting.

14.2 For Financial Influencers: Be accurate and transparent. Disclose sponsorships and conflicts of interest clearly.

14.3 For Financial Educators: Help investors build the skills to evaluate what they see on social media critically.

14.4 For Regulators: These findings can support better investor-awareness policy around digital financial content.

15. LIMITATIONS OF THE STUDY

- Limited to a specific geographical area.
- Sample size may not represent the full population of retail investors.
- Convenience or purposive sampling limits how far the findings can generalise.
- Self-reported responses carry the usual risk of response bias.
- Social media and financial trends move fast, so findings may not hold up long-term.
- Focuses on perceived influence and may miss other factors shaping investment decisions.

16. CONCLUSION

Finfluencers have changed how retail investors get and interpret financial information, and made it more accessible — especially for people who never had easy access to a financial advisor to begin with. But their reach goes past education; their opinions shape real decisions, and credibility, trust, information quality, perceived usefulness, social influence, and financial literacy all seem to determine how much.

This study is an attempt to map that relationship out properly, and to make the case for responsible communication and better investor education on both sides. Investors should treat influencer content critically rather than acting on it outright, and influencers carry some responsibility to communicate honestly and transparently. Either way, this is a growing part of how retail investors actually behave, and worth understanding properly rather than dismissing or over-trusting wholesale.

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BIOGRAPHY

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