

THE FINANCIAL FALLOUT OF INFLUENCER CULTURE: ‘HOW SOCIAL MEDIA DRIVES INVESTMENT TRENDS AND MARKET MANIPULATION’

Miss Samriddhi Mishra¹

BBA (Banking & Finance) – Final Year
Amity Business School, Amity University Mumbai

Dr. M.S. Suganthiya²

Assistant Professor
Amity Business School, Amity University Mumbai

Prof. (Dr.) Bhawana Sharma³

Director-International Affairs & Programs, Officiating HOI,
Amity Business School, Amity University Mumbai

ABSTRACT

The financial markets have witnessed a paradigm shift due to the increasing influence of social media. Viral trends and influencer-driven investment narratives have the potential to create speculative bubbles, manipulate market movements, and disrupt traditional financial decision-making. This study explores the intersection of influencer culture, behavioural finance, and regulatory challenges, aiming to assess the risks and opportunities associated with social media’s impact on investment trends. Through a mixed-method research approach involving surveys, case studies, and statistical analysis, this research seeks to provide empirical insights into how digital finance narratives shape investor behaviour. The findings will offer recommendations for investors, policymakers, and financial institutions to navigate this evolving financial landscape.

Keywords: influencer finance, behavioural investing, FOMO, social media, retail investors, financial regulation, influencer culture, investment trends, behavioural finance, market manipulation, digital finance regulation.

INTRODUCTION

Financial markets have traditionally been driven by economic fundamentals, institutional expertise, and regulatory frameworks. However, the rise of social media as a financial

information source has transformed investment behaviours, with retail investors increasingly influenced by influencers, viral trends, and online communities. Events such as the GameStop short squeeze and Elon Musk's tweets on cryptocurrency exemplify how social media can drive market volatility and speculation. This research aims to analyse how influencer culture contributes to investment trends, fosters behavioural biases like herd mentality and FOMO (Fear of Missing Out), and challenges existing financial regulations.

STATEMENT OF THE PROBLEM

While financial influencers and online investment communities have democratized financial information, they also pose risks such as **misinformation, market manipulation, and speculative trading**. The unchecked nature of influencer-driven financial content raises concerns about regulatory gaps and the potential for retail investors to make ill-informed decisions. This study investigates whether current financial regulations are sufficient to address these issues and explores the broader implications of social media's influence on investment decision-making.

LITERATURE REVIEW

2.1 Introduction

Social media has fundamentally altered the flow of financial information, transforming platforms like Reddit, Twitter, Instagram, and YouTube into spaces where investment discourse, advice, and speculation thrive. In this ecosystem, influencers—particularly “finfluencers”—play a pivotal role in shaping the investment behaviour of retail investors. This literature review synthesizes findings from 14 peer-reviewed academic papers to explore how influencer culture impacts financial decision-making, risk perception, and market stability.

1. Retail Investor Behaviour and Social Sentiment Dynamics

The fusion of social media and stock markets has reshaped retail investor behaviour. Semenova and Winkler (2021) illustrate how online sentiment mimics social contagion, with viral content and peer reinforcement on platforms like Reddit triggering irrational demand surges and price reversals. Gianstefani et al. (2022) highlight Reddit's echo chamber effect, where fanatic-led discussions precede abnormal returns and volumes in meme stocks like GME and AMC. Thukral et al. (2022), analysing over 1.5 million Reddit comments,

underscore the emotional dimensions of investor behaviour, finding that digital trust and micro-communities fuel both knowledge sharing and risky, emotionally charged investing.

2. Social Media Platforms as Financial Catalysts

Beyond Reddit, other platforms also influence market behaviour. Agarwal et al. (2021) explore India's Twitter landscape, identifying a bidirectional relationship between tweet sentiment and sectoral indices like NIFTY Bank. Pandey et al. (2025) shift focus to YouTube, revealing how content quality, influencer credibility, and audience trust collectively shape investment behaviour in Uttar Pradesh. Similarly, Keasey et al. (2025) study Instagram, showing that content from mega-influencers—especially those conveying extreme sentiment—can temporarily boost trading volume and investor attention, often leading to short-lived price fluctuations consistent with noise trading theory.

3. The Rise and Reach of Finfluencers

Finfluencers have become cultural icons in digital finance. Hayes and Ben-Shmuel (2024) examine their rise through the lens of digital storytelling, lifestyle branding, and symbolic language, finding that their appeal lies in relatability and emotional resonance—especially for Gen-Z audiences. However, they caution that this also reinforces neoliberal ideals like hustle culture and personal financial responsibility. Wanjari et al. (2024) provide quantitative evidence from Nagpur, showing that finfluencers increase investment confidence and financial literacy, though they don't necessarily influence product-specific choices. The authors raise concerns about India's regulatory vacuum, as many young investors rely on unverified financial advice online.

4. AI, Analytics, and Behavioural Finance

Faromade et al. (n.d.) bridge behavioural finance with AI, comparing human crowd predictions with AI-powered swarm intelligence. Their findings show that synchronized digital interactions outperform both individuals and uncoordinated crowds, improving forecasting accuracy and mitigating behavioural biases like overconfidence and heuristics. Moreover, they emphasize how social media—combined with real-time AI analytics—functions as a behavioural feedback loop, shaping investor decisions more effectively than traditional models of sentiment tracking.

5. Misinformation, Market Manipulation, and Regulatory Gaps

Several studies underscore the fragility of social-media-driven investing. Keasey et al. (2025) caution against speculative surges driven by influencer hype, which often lack fundamental

backing. Hayes and Ben-Shmuel (2024) critique the blurred boundary between genuine financial education and monetized promotion, while Wanjari et al. (2024) stress the need for stricter oversight in India's rapidly growing but underregulated finfluencer space. Collectively, these works highlight the risk of misinformation and the urgent need for regulatory mechanisms to protect retail investors in the digital age.

METHODOLOGY

3.1 Research Design

This study adopts a mixed-methods approach, integrating both quantitative and qualitative techniques to examine the influence of social media and influencer culture on retail investor behaviour. The primary data was collected via an online survey targeting Gen Z investors, including both closed-ended (Likert scale, yes/no) and open-ended questions. The survey was designed to explore demographic information, investment habits, influencer engagement, and perceived risks.

Secondary data from academic literature and market case studies was used to contextualize and support the interpretation of primary findings. The design aligns with behavioural finance theories and aims to uncover emotional, psychological, and regulatory dimensions of influencer-driven investment behaviour.

3.2 Data Collection

The online questionnaire was distributed through social media and investor communities, resulting in 100 valid responses. Over half the participants were from the 18–24 age group, with a majority identifying as students and beginner-level investors. Questions focused on investment experience, influencer trust, frequency of social media use, and reactions to notable events such as the GameStop short squeeze and the Adani-Hindenburg controversy.

While the Gen Z focus provided rich insights into a digitally active demographic, the sample size and digital distribution limit the generalizability to broader investor populations.

3.3 Data Analysis Techniques

Quantitative analysis was conducted using Microsoft Excel and Python, while qualitative responses were analysed manually via thematic coding using Google Sheets.

- **Descriptive Statistics:** Used to summarize age, occupation, investment frequency, and platform usage.
- **Cross-tabulation:** Explored relationships between influencer frequency and investment behaviour.
- **Correlation Analysis:** Spearman's rank-order correlation was applied to examine associations between influencer credibility and investment decisions.
- **Chi-square Test of Independence:** Tested statistical relationships between social media engagement and behavioural shifts in investment strategy.
- **Thematic Analysis:** Open-ended responses were analysed using Braun and Clarke's (2006) six-step model, with recurring themes such as misinformation, FOMO, blind trust, and reported financial losses emerging.

DATA ANALYSIS AND FINDINGS

Building on the methodology, the analysis uses both quantitative and qualitative techniques to explore patterns, relationships, and themes emerging from a survey of 100 respondents primarily Gen Z investors. Results are contextualized within frameworks such as Source Credibility Theory, Bounded Rationality, Agenda-Setting Theory, and Social Proof.

4.1 Descriptive Statistics of Respondent Profiles

Table 1 presents the demographic breakdown, revealing that a majority of respondents are female (62%) and between the ages of 18–25 (74%), aligning with the Gen Z population most actively engaged in online financial communities. Over half the participants are students, indicating a relatively young and financially exploratory cohort.

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency (n)	Percentage (%)
Age Group	18–24	81	81.0
	Others	19	19.0
Occupation	Student	63	63.0
	Others	37	37.0

Investing Experience	Beginner	73	73.0
	Intermediate	27	27.0

Further, **Table 2** highlights influencer engagement behaviour. Instagram dominates as the primary platform for financial content, followed by YouTube and Twitter. Notably, 76% of respondents follow finance influencers, and 68% admit these influencers have impacted their investment decisions.

Table 2: Social Media Use and Influencer Engagement

Variable	Category	Frequency (n)	Percentage (%)
Platform Used for Financial Info	Instagram	73	73.0
	YouTube	71	71.0
	X (formerly Twitter)	36	36.0
	Reddit	14	14.0
	Facebook	9	9.0
Frequency of Using Social Media for Insights	Sometimes	50	50.0
	Rarely	32	32.0
	Often	12	12.0
	Never	6	6.0
Following Finance Influencers	Weekly	36	36.0
	Monthly	19	19.0
	Rarely	30	30.0
	Never	8	8.0
	Daily	7	7.0

Table 3 compiles perceptions and behavioural responses. While most investors rate influencer impact and credibility as moderate, emotional and FOMO-driven decision-making is still prominent. Regulatory scepticism is widespread, and 68% of respondents support stricter guidelines for financial content creators.

Table 3: Investor Perceptions and Behaviour

Variable	Category	Frequency (n)	Percentage (%)
Influence of Influencers on Decisions (1–5)	Moderate (3)	48	48.0
	High (4)	24	24.0
	Low (2)	18	18.0
	Lowest (1)	9	9.0
	Highest (5)	1	1.0
Influencer Credibility (1–5)	Moderate (3)	54	54.0
	Low (2)	21	21.0
	High (4)	14	14.0
	Lowest (1)	9	9.0
	Highest (5)	2	2.0
Role of Emotions in Decision-Making	Data with emotion	50	50.0
	Emotion-influenced	41	41.0
	Purely emotional	9	9.0
FOMO in Investment Behaviour	Agree	32	32.0
	Strongly agree	28	28.0

	Neutral	31	31.0
	Disagree	6	6.0
	Strongly disagree	4	4.0
Strategy Change Due to Social Media	Yes	33	33.0
	No	30	30.0
	Not sure	37	37.0
View on Current Regulations (1–5)	Moderate (3)	61	61.0
	Ineffective (1 or 2)	26	26.0
	Effective (4 or 5)	13	13.0
Support for Stricter Regulations	Support	68	68.0
	Oppose	15	15.0
	Unsure	17	17.0

Collectively, these descriptive findings validate the conceptual framework of the study: social media plays a substantial role in shaping investor psychology and behaviour, especially among young and novice investors.

Key Statistical Summary

Metric	Mean	Median	Std Dev	Min	Max
Trust impact from market events	2.74	3	0.80	1	5
Perceived risk of social media investing	3.61	4	0.95	1	5
Effectiveness of regulation	2.86	3	0.88	1	5

4.2 Quantitative Patterns Shaping the Financial Fallout

1. Influence of Credibility on Investment Decisions

To examine whether perceived credibility of social media influencers affects their influence on individuals' investment decisions, a Spearman's rank-order correlation was conducted.

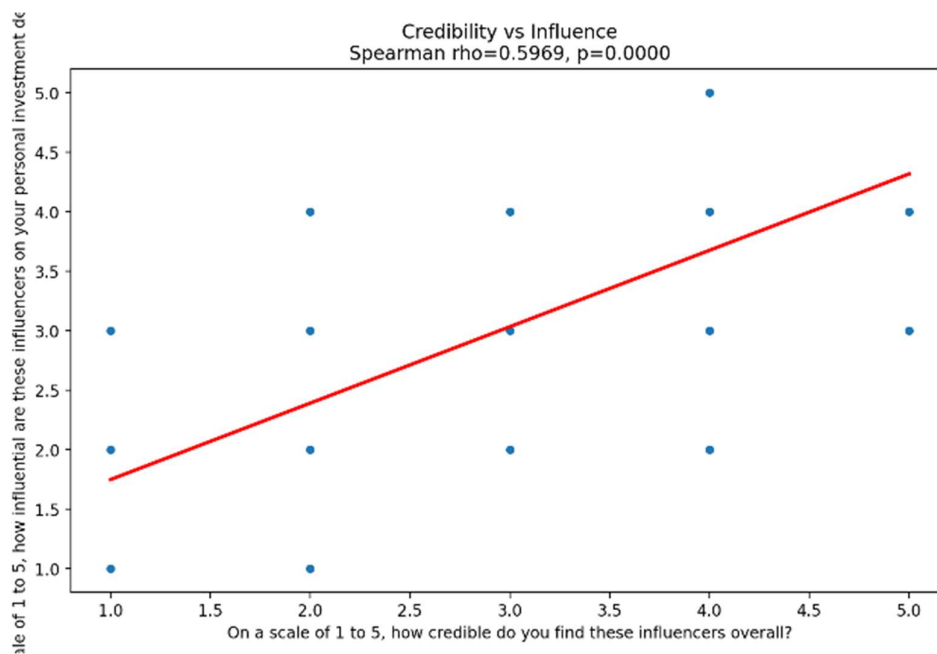
Result:

A statistically significant moderate to strong positive correlation was found

Spearman's $\rho = 0.597$, $p < 0.001$

This suggests that *as influencer credibility increases, their influence on investment decisions also increases.*

Figure 4.2.1: Scatter Plot of Credibility vs Investment Influence



2. Frequency of Following vs Change in Investment Behaviour

A Chi-square test explored the link between influencer-following frequency and strategy change:

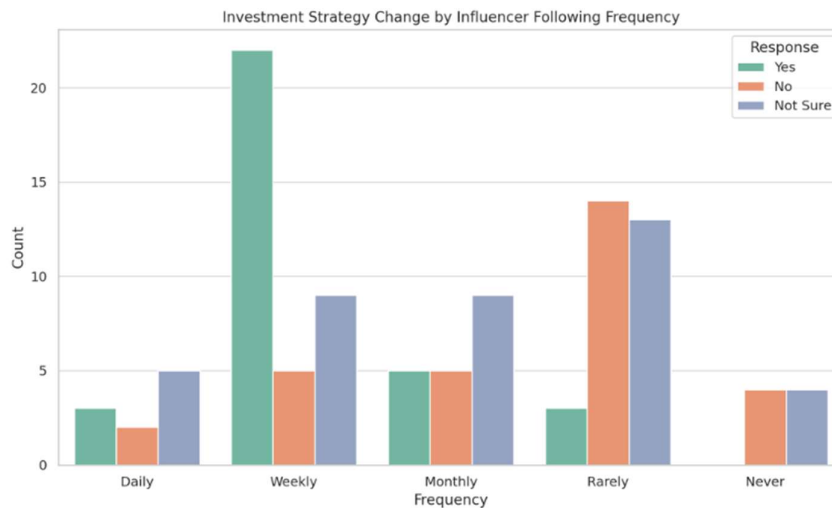
- $\chi^2(8, N=100) = 26.36, p = 0.00091 \rightarrow$ statistically significant

These findings support the dissertation's core hypothesis: *influencer culture is not passive—it actively shapes financial decisions.* The influence appears to scale with frequency, highlighting the persuasive power of repeated exposure in digital financial ecosystems.

Frequency	No	Not Sure	Yes
Daily	2	5	3
Monthly	5	9	5
Never	4	4	0
Rarely	14	13	3
Weekly	5	9	22

Table 4.2.1: Following Frequency vs. Strategy Change

Figure 4.2.2: *Distribution of investment strategy changes based on frequency of influencer following.*



3. Perceived Risk and Strategy Adjustment

Another Chi-square test examined the relationship between perceived risk and investment strategy adjustment:

- $\chi^2 = 8.92$, $df = 2$, $p = 0.012$ → statistically significant
- Since the p-value is less than 0.05, the result is statistically significant, indicating a meaningful association between perceived risk levels and changes in investment strategy.
- ***"The tendency to change investment strategies is not random but significantly influenced by how investors perceive their own risk appetite."***

Perceived Risk	No	Yes
High	14	27
Low	5	1
Moderate	11	5

Table 4.2.2: Change in Strategy by Risk Level

Participants perceiving higher risk were significantly more likely to adjust strategy due to social media influence.

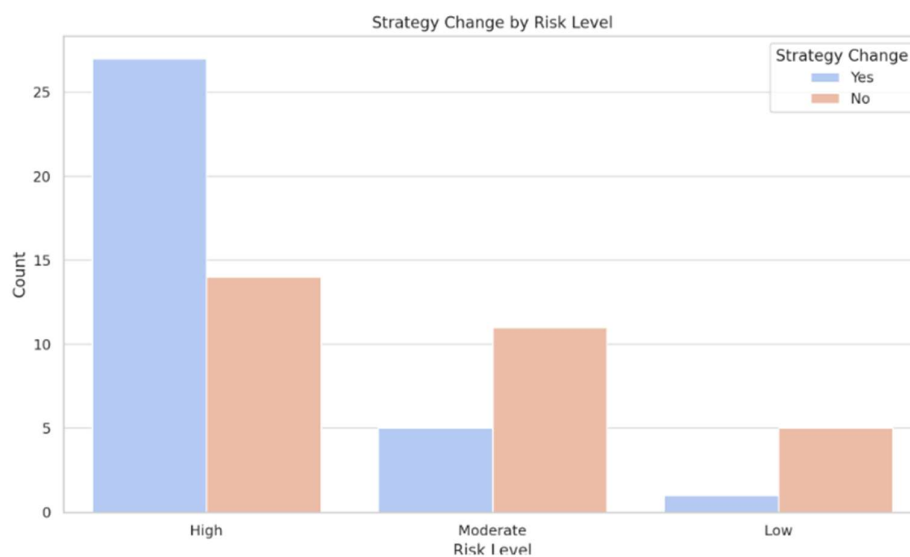


Figure 4.2.3: Bar chart illustrating the relationship between perceived investment risk and changes in investment strategy.

4.3 Qualitative Insights from Open-Ended Responses

Thematic coding of open-ended survey responses revealed four dominant themes:

1. **Misinformation:** Participants cited exaggerated claims and inflated returns by influencers.
2. **FOMO:** Respondents felt pressured to act quickly without full analysis.
3. **Blind Trust:** Some followed influencers due to popularity rather than expertise.
4. **Losses:** Several participants reported monetary loss after acting on online advice.

These insights validate and humanize the quantitative findings. For instance:

- Those who rated influencer credibility high also described instances of blind trust.
- Emotional triggers (like urgency and hype) were mentioned frequently, aligning with FOMO scores.
- Reports of financial loss emphasize the real-world consequences of misinformation.

Qualitative Theme	Related Quantitative Finding	Interpretation
Misinformation	Moderate correlation between influencer credibility and investment decision influence.	Participants expressed frustration with exaggerated claims, supporting the finding that perceived credibility can drive influence even when accuracy is questionable.
FOMO	Significant association between frequency of influencer following and changes in investment behaviour (Chi-square test).	Frequent exposure increases psychological pressure, leading to reactive investment behaviours out of fear of missing out.
Blind Trust in Influencer Branding	Positive correlation between trust in influencers and behavioural change.	Trust is often based on social proof (followers, branding) rather than financial expertise, reinforcing the observed behavioural impact.
Losses Due to Online Advice	Cross-tabulation: Higher perceived risk associated with behavioural changes due to influencers.	Personal accounts of financial loss reflect the identified risks and behavioural shifts captured in the quantitative data.

Table 4.3.1: Integration of Qualitative and Quantitative Findings

These results build a holistic picture of how influencer culture not only alters market behaviour statistically, but also psychologically impacts individual decision-making.

DISCUSSION

This section interprets the findings from the data analysis in light of the research objectives and existing literature. It connects statistical outcomes with behavioural finance theories and explores broader implications for investor psychology, social media dynamics, and financial regulation.

5.1 Influence of Social Media on Retail Investor Behaviour

The study confirms that social media, particularly platforms like Instagram and YouTube, exerts a substantial influence on retail investor behaviour. The prevalence of visual and short-form content aligns with the digital consumption habits of Gen Z, the dominant demographic in the study. While most respondents acknowledged using these platforms for financial information, the trust placed in influencers was generally moderate. This aligns with the literature that suggests social media acts more as a psychological trigger than a source of verified expertise.

5.2 Role of Credibility and Trust

Spearman's correlation confirmed a significant positive relationship between perceived influencer credibility and their impact on investment decisions. This underscores the importance of trust as a mediating factor in the influence process. While influencers with higher perceived credibility were more likely to sway investor choices, the overall trust rating remained moderate, highlighting a critical tension: investors often engage with content they simultaneously distrust.

This paradox of low trust yet high influence mirrors Cialdini's principles of social proof and authority. It suggests that behavioural conformity may occur even in the absence of rational conviction, especially in digital environments where popularity often substitutes for expertise.

5.3 Behaviour Shifts and Frequency of Exposure

The Chi-square tests revealed a statistically significant association between how often respondents followed influencers and whether they altered their investment behaviour. Weekly followers were far more likely to report strategy shifts compared to occasional or non-followers. This supports the hypothesis that repetitive exposure increases susceptibility to behavioural influence, echoing the agenda-setting theory.

The connection between perceived risk and strategy change was also significant. Participants with a higher risk perception were more likely to adjust their investment approach after exposure to influencer content. This suggests that risk-aware individuals may be more reactive, possibly due to heightened sensitivity to volatility or fear-based messaging in influencer narratives.

5.4 Thematic Insights: Emotions, Misinformation, and Real-World Impact

Qualitative responses highlighted emotional drivers such as urgency, peer pressure, and aspirational content. Misinformation was a recurring theme, with several participants citing losses due to overhyped or inaccurate advice. These narratives align with the quantitative findings and provide a human lens to the data.

The study's integration of qualitative and quantitative analysis reveals a clear picture: while investors are not blindly trusting influencers, they are emotionally and psychologically susceptible to their narratives. This dynamic is intensified by the platform algorithms that prioritize sensational and engagement-driven content.

5.5 Implications for Regulation and Financial Literacy

The study reinforces the urgent need for stronger regulatory oversight in influencer-led financial marketing. With 68% of participants supporting stricter regulations, there is a clear public mandate for accountability. Disclosure norms, content verification, and platform accountability must evolve to reflect the new realities of digital finance.

In parallel, there is a pressing need for targeted financial literacy campaigns. Investors, particularly young ones, must be equipped to critically evaluate online financial content. This dual approach—combining regulation with education—is essential to mitigate the risks of misinformation and emotionally reactive investing.

6. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

This study explored the influence of social media and influencer culture on the financial decision-making of Gen Z retail investors. The findings confirm that digital platforms—particularly Instagram and YouTube—are central to financial information consumption. Influencers, while only moderately trusted, hold significant persuasive power, especially through emotionally charged content that exploits psychological triggers like FOMO.

Quantitative analysis established that credibility, frequency of exposure, and perceived risk are key factors influencing investment behaviour. Chi-square and correlation tests revealed strong associations between influencer activity and strategy shifts among investors. Qualitative insights reinforced these patterns, shedding light on the emotional and psychological toll of influencer-led finance. The research validates behavioural finance theories and highlights a widening gap in regulatory frameworks. It also surfaces the need for greater digital financial literacy, especially among young investors navigating content-saturated environments.

6.2 Recommendations

1. Regulatory Reforms

- Introduce mandatory disclosure guidelines for paid financial promotions.
- Enforce transparency standards for influencers promoting financial products.
- Hold social media platforms accountable for hosting misleading financial content.

2. Financial Literacy Campaigns

- Launch targeted education programs for Gen Z investors.
- Include modules on identifying misinformation, emotional bias, and risky strategies.
- Partner with verified financial educators to increase reach and credibility.

3. Platform Algorithm Audits

- Encourage audits to reduce the amplification of hype-based content.
- Promote credible, data-backed financial content in user feeds.

4. Investor Protection Hotlines and Portals

- Create easy-to-access channels for reporting financial misinformation.
- Provide real-time guidance to inexperienced investors.

By addressing both systemic gaps and individual knowledge deficits, these recommendations aim to build a safer, more informed digital investing environment—one that protects investors without stifling the democratizing power of social media.

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