

The Breed of Finfluencer: Catalysts in Shaping Investment Choices

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Abstract

Niche social media influencer marketing groups have profoundly transformed the social media landscape, wielding their expertise and passion to engage the target audience within that niche. This trend is no different when it comes to financial influencers (Finfluencer). From stock market gurus to crypto experts, these influential people possess the knowledge, expertise, and experience to guide Social Media Users (SMU) towards successful investments. For this investigation, social media users actively engaged in investment discussions on social media platforms will also be referred to as retail investors. The study aims to analyse independent influence of two key determinants on SMU's Investment choices: Finfluencer credibility and SMU's Financial literacy levels. Though the variables are conceptually distinct, yet it is intertwined as the credibility reflects the external perception and financial literacy reflects internal knowledge of SMUs. The credibility variables of Finfluencer to be measured are trustworthiness, goodwill, and expertise. An online survey was distributed to respondents from across Chennai, Tamil Nadu, India. The findings revealed that Finfluencer Credibility has positive influence on the investment decisions. Furthermore, pointing out the significant influence of investors high and low financial literacy levels on investment decisions. The findings of the study will benefit finfluencers and retail investors (SMU) in several ways. In addition, it will have significant implications for Indian fintech companies.

Keywords: Finfluencer, credibility, goodwill, trustworthiness, expertise, financial literacy, Investment choices.

1. Overview of India's Fintech and Influencer Marketing Landscape

The Ministry of commerce and industry of the government of India released a press release on 30 September 2021 stating that India is on track to emerge as a leading global digital market. This is due in part to the country's notable fintech adoption rate of 87%. This means that a vast majority of Indians are using digital technologies to manage their finances and investments. Another press release by government of India on 15 December 2021 stated that India has over 676 million smartphone users, over one 1.2 billion telecom users (wireless plus wireline), and a 25 million internet subscribers. Of these internet subscribers approximately 39% belong to rural areas. This indicates that the digital divide in India is narrowing and that more and more people in rural areas are gaining access to the internet (Government of India, 2021).

The global Influencer marketing industry is expected to witness significant growth, reaching a value of \$40.9 billion by 2028, marking a more than threefold increase in its size. This upward trajectory is primarily driven by the rising popularity of social media platforms and escalating demand for influencer generated content (Statista, 2023 a).

Influencer marketing has emerged as a powerful and popular strategy in India. Its market value surpassed 12 billion Indian rupees in 2022 and is projected to reach 28 billion Indian rupees by 2026. Influencers have seamlessly integrated into businesses, forging authentic connections through relatable content, and exerting significant influence on consumer purchasing decisions (Statista, 2023 b).

A 2022 survey conducted in India revealed the remarkable influence of influencers on consumers purchasing decisions. A significant 59% of respondents indicated a higher inclination to try a product endorsed by their favourite influencer. Moreover,

an equally impressive 52% admitted to making purchases solely based on influencer recommendations. This substantial impact exerted by influencers underscores their ability to shape consumer behaviour and demonstrates their power as effective marketing agents (Statista, 2023 c).

The absence of financial education in conventional schooling has resulted in a widespread lack of financial literacy among individuals in India. According to the reserve Bank of India, only 27% of Indian adults possess the minimum level of financial literacy. And however, financial influencers have emerged as a potent force in promoting financial awareness and encouraging investors to actively participate in the financial market. The availability of affordable smartphones with inexpensive data plans and user-friendly investing apps has further amplified the reach of Finfluencers, allowing them to connect with broad and diverse audience. The content on social media consists of a wide spectrum of topics, ranging from initiating investment strategies to achieving crores of rupees within the stipulated years. But what is the true measure of finfluencer's sway over such momentous life-altering decisions of retail investors? (Indulia, 2023). In response to the increasing sway towards finfluencers, India's securities regulator, SEBI has proactively taken efforts to protect investor's wealth. Through collaborations with industry specialists and stakeholders, the regulatory body is expected to roll out guidelines on social media influencers providing biased and unregulated financial guidance. By emphasising transparency and accountability, SEBI is laying foundation for a more reliable and trustworthy financial advice environment in India (The Indian Express, 2023).

2. Review of Literature

Proliferation of social media has reshaped consumer behaviour, empowering individuals to become more informed and discerning buyers. Social media platforms have provided consumers with a plethora of novel strategies for research in evaluating, selecting, and purchasing products and services. In a similar vein, social media has democratised access to financial education (Guan, 2023). One of the major sources of consumers knowledge are the influencers, who they perceive as credible and knowledgeable sources of information, akin to opinion leaders, rather than merely endorsing products or services based on their popularity (De Veirman et al., 2017)

Hence, Influencers are described as individuals who have cultivated substantial followings on social media platforms, granting them a trusted voice capable of swaying opinions within a particular niche or domain. Influencer marketing is a strategic marketing approach that involves businesses partnering with social media influencers to connect with their target audience . Essentially, influencer marketing capitalizes on the influence of individuals who hold sway over potential buyers, positioning them as the primary marketing focus for a company. Subsequently, these influential individuals disseminate the company's message to an even broader market (Saputra & Elfarosa, 2023).

Being one among them, Finfluencers are niche social media influencers who disseminate financial messages on social media platforms to exert a considerable influence on investment decisions of retail investors. They are not traditional financial analysts but can be anyone, from celebrities to corporate executives to ordinary individuals, who have amassed a large following on social media. Finfluencers typically aim to make finance more approachable and understandable to a wider audience. Elon Musk and Ryan Cohen, other two examples of finfluencers who share their financial insights on YouTube, Tik-Tok, and other social media platforms (Guan, 2023).

A person with credibility Is more convincing (Anshori et al., 2023). Perceived credibility of social media influencers is often measured using a three-dimensional framework: expertise, objectivity, and attractiveness. Expertise refers to the perception that the SMI has sound knowledge about the product or service they promote. Objectivity is related to whether the SMI is seen as unbiased and honest in their promotions. Attractiveness measures how much trust and likability people have towards the SMI (Nafees et al., 2021). Social media influencers (SMIs) who promote financial brands are perceived as more credible than traditional celebrities, especially in terms of trustworthiness, expertise, and goodwill (Kaabachi et al., 2021).

A study titled "The Impact of Social Media Influencers on Purchase Intention and the Mediation Effect of Customer Attitude" found that source credibility of social media influencers (SMIs) was not a significant factor in consumers' attitude and purchase

intention. Overall, the findings suggest that SMIs need to be mindful of their credibility when endorsing products. consumers are becoming more discerning, and they are less likely to trust SMIs who endorse products outside of their expertise or who promote products that they do not personally believe in. To maintain their credibility and avoid alienating their followers, SMIs should carefully consider the products they endorse. They should focus on endorsing products that they are knowledgeable about and that they can speak to with authenticity. SMIs should also avoid endorsing products that could be seen as unethical or irresponsible (Lim et al., 2017)

Investment as an activity whereby the investors channelise funds into assets, businesses, or real estate, with the anticipation of generating gains (Saputra & Elfarosa, 2023). Investment choices should be crafted to fit your individual financial profile and long-term financial objectives (Mardikaningsih & Darmawan, 2023). For which, financial literacy is essential component of an individual's financial behaviour, particularly for Millennials, who will encounter significant financial decisions in the future. With increasing responsibilities, it is imperative for Millennials to cultivate financial literacy skills early on and apply them with confidence and motivation to make informed financial decisions (Anastasia & Basana, 2021). Utilizing digital marketing channels, understanding public sentiment, and following social media influencers can empower customers to make informed purchasing decisions that maximize their satisfaction (Hanandeh et al., 2023). Findings of the study on "Influence of Financial Literacy and Risk Perception on Choice of Investment" states that There is a strong correlation between financial literacy and investment preferences. Hence an a credible influencer's efforts to give financial education may benefit the SMUs while making investment choices (Aren & Zengin, 2016).

3. Research Model and Hypotheses

The research findings of the article "The Influence of Influencer Marketing on Consumer Purchase Decisions: A Systematic Review" unequivocally demonstrate that influencer credibility, bolstered by trustworthiness, expertise, similarity, and attractiveness, exerts a positive influence on consumer trust in the Zilingo Brand. This reinforces the pivotal role played by stock influencers in establishing credibility among consumers and guiding their investment choices (Saputra & Elfarosa, 2023). An expansion of the study to encompass other age groups or generational cohorts would be advantageous. Social media may not exert same level of influence on older consumers compared to generation Z. Therefore, the study could be extended to examine Millennial consumers or generation X (Kaabachi et al., 2021). (Yulianis & Sulistyowati, 2021) conducted a statistical analysis that demonstrates how financial literacy plays a inevitable role in influencing investment decisions among individuals living in Sidoarjo region. Drawing upon these insights, I formulate the below research model (figure 1).

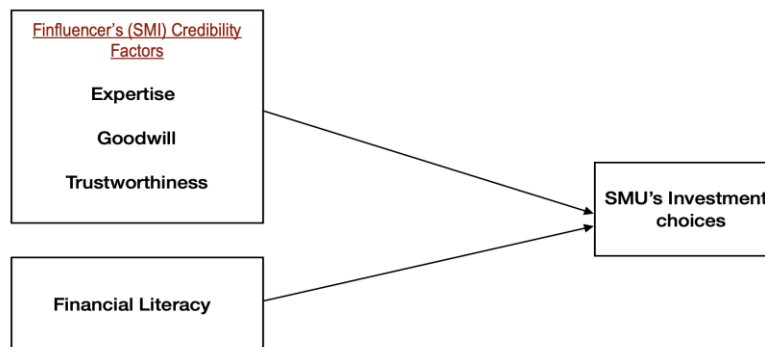


Figure 1. Research Model

To address the first research question : Does retail investor's (SMU) perceptions of finfluencer's expertise, trustworthiness, and goodwill influence their investment choices?, constructing on the studies of (Saputra & Elfarosa, 2023), (Lim et al., 2017) and (Nafees et al., 2021), the following hypotheses and sub-hypotheses are posited.

H₀₁: There is no significant influence on retail investors' perceptions of finfluencer's credibility on their investment decisions.

H_{01a}: Retail investors are less likely to invest in companies that are recommended by finfluencers they perceive as highly knowledgeable about finance.

H_{01b}: Retail investors (SMU) are less likely to trust investment advice provided by finfluencer's they perceive as trustworthy and honest.

H_{01c}: Retail investors (SMU) are less likely to follow the investment recommendations of finfluencers who they perceive to have established a strong reputation and positive brand image among their audience.

Credibility is a comprehensive concept encompassing various elements, including expertise, trustworthiness, authenticity, and goodwill. Expertise pertains to the perceived knowledge, skills, and experience of the source. Trustworthiness reflects their perceived honesty, fairness, and integrity. Authenticity relates to how genuine and honest the source appears in their online presence and content. Goodwill encompasses the source's perceived caring nature and empathy towards followers' needs and interests. Social media influencers' credibility plays an essential role in establishing trust and fostering engagement with their audience. Credible influencers are more effective at convincing their followers to take specific actions such as purchasing products or visiting website (Han & Balabanis, 2023).

To address the second research question : Does retail investor's (SMU) Financial literacy levels influence their investment choices?, constructing on the studies of, (Aren & Zengin, 2016), (Kumari, 2020) and (Anastasia & Basana, 2021), the following hypotheses are posited.

H₀₂: There is no significant influence of high and low levels of financial literacy on the investment choices of social media users (SMUs)

How investors interpret financial information can affect their investment decisions. The learning more about finances can help them make better decisions (Seraj et al., 2022)

4. Research Design

A quantitative research approach was employed, utilising an online survey collected from 119 Millennial retail investors (SMUs) in South Chennai, Tamil Nadu, India. The samples were selected using a convenience sampling method. Out of the 119 surveys, only 110 were deemed useable for the analysis. The survey measured influencer credibility using three dimensions: Trustworthiness, goodwill and expertise. Financial literacy was also assessed through a series of questions regarding participant's understanding of investment terminology, risk assessment, familiarity with investment products, ability to analyse investment performance, and evaluation of online investment platforms. Investment choices were assessed by asking participants whether they are willing to invest in a particular financial product or service based on the recommendations of Finfluencer.

5. Data Analysis

(a) Reliability and Validity of the Measurement Tool.

A structured questionnaire was developed and it was validated with ($r=0.89$) and checked for Cronbach's alpha were found to be highly reliable (20 items; $\alpha=0.909$)

(b) Descriptive Analysis

Table 1. Descriptive Statistics

Variables	SMU's Investment Choice Mean \pm S.D
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	Likely (n=71)	Unlikely (n=39)
Goodwill_score	16.42±8.36	7.54±7.6
trustworthiness_score	18.9±5.4	14.03±8.02
Expertise_Score	19.06±6.73	14.69±7.71
	n (%)	n (%)
Financial Literacy		
High	48 (67.61)	9 (23.08)
Low	23 (32.39)	30 (76.29)

Table 2. Univariate and Multivariate Analysis

(c) *Inferential Analysis*

Variables	Unadjusted Analysis				Adjusted Analysis			
	p value	Exp(B)	95% C.I.for EXP(B)		p value	Exp(B)	95% C.I.for EXP(B)	
			Lower	Upper			Lower	Upper
Goodwill_score	<0.001	1.123	1.069	1.18	<0.001	1.155	1.067	1.250
trustworthiness_score	0.01	1.115	1.048	1.186	0.023	1.351	1.043	1.749
Expertise_Score	0.004	1.084	1.027	1.146	0.007	0.698	0.537	0.906
Financial Literacy								
High		Ref				Ref		
Low	<0.001	0.144	0.059	0.352	0.006	0.159	0.043	0.594

Goodwill_score: Unadjusted Analysis: The Goodwill_score has a significant influence on SMUs investment choices ($p < 0.001$), with an odds ratio (Exp(B)) of 1.123. This means that for each unit increase in Goodwill_score, the odds of retail investors likely to invest increase by a factor of 1.123. Adjusted Analysis: After adjusting for other variables, the significance remains (<0.001), and the odds ratio increases to 1.155. This suggests that Goodwill_score has a strong and significant influence on SMUs investment choices, even after accounting for other factors.

Trustworthiness_score: Unadjusted Analysis: The Trustworthiness_score also shows a significant influence on the SMUs investment choices ($p = 0.01$), with an odds ratio of 1.115. This indicates that higher Trustworthiness_score is associated with higher odds of the retail investors (SMUs) likely to invest. Adjusted Analysis: After adjustment, the significance remains ($p = 0.023$), and the odds ratio increases to 1.351. This suggests that Trustworthiness_score has a significant influence on SMUs investment choices, even after controlling for other variables.

Expertise_Score: Unadjusted Analysis: The Expertise_Score has a significant influence on the SMUs investment choices ($p = 0.004$), with an odds ratio of 1.084. This means that higher Expertise_Score is associated with higher odds of the retail investors likely to invest. Adjusted Analysis: After adjustment, the significance decreases ($p = 0.007$), and the odds ratio decreases to 0.698. This suggests that while Expertise_Score has an influence on the SMUs investment choices, its significance and effect size decrease after accounting for other variables.

Financial Literacy: People who are having low financial literacy level is (OR=0.144; 95% CI = (0.059-0352); p value = <0.001 having less likely to make SMU's investment choice when compared to people who are having high literacy level.

Further to identify among all low financial literacy level people is $OR=0.159$ times ; 95% $CI = (0.059-0352)$; p value = <0.001 less likely to make SMU's investment choice when compared to people who are having high literacy level.

Findings

The analysis revealed a statistically significant relationship (p -value < 0.05) between all three credibility measures and investment decisions. This means that investors' perceptions of a finfluencer's trustworthiness, expertise (to some extent), and reputation significantly influence their investment choices. Hence, hypothesis H_{01} : There is no significant influence of retail investor's perceptions of finfluencer's credibility on their investment decisions is rejected. The three Sub Hypotheses H_{01a} , H_{01b} and H_{01c} are also rejected. The analysis identified a significant difference (p -value < 0.001) between investors with high and low financial literacy. Investors with lower financial literacy were significantly less likely to make investment choices as compared to those with high financial literacy. Hence, Hypothesis H_{02} : There is no significant influence of high and low levels of financial literacy on the investment choices of social media users (SMUs) is rejected.

Conclusion

This study highlights the significant influence of financial influencer (Finfluencer) credibility on retail investor (SMU) investment decisions. The analysis demonstrates that trustworthiness and a positive reputation are the primary factors influencing investors when they consider recommendations from finfluencers. Notably, while perceived expertise initially appeared to play a role, this effect diminished upon controlling for other variables. This suggests that expertise alone may be less influential than trustworthiness and reputation in shaping investor behaviour. Furthermore, the research identified a clear association between financial literacy and investment choices. Investors with a stronger foundation in financial concepts were significantly more likely to follow investment recommendations compared to those with lower financial literacy.

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