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# IMPACT OF SOCIAL MEDIA AND FINFLUENCERS ON INVESTMENT BEHAVIOR

**Dr. S. Usha[1], Ms. Priya Magesh[2]**

Assistant Professor, Department of Management Studies, University of Madras, Chennai[1]

Research Scholar, Department of Management Studies, University of Madras, Chennai[2]

**Abstract:** The usefulness of social media in the digital era has turned retail investors to social media for financial information. This study aims to examine the effect of social media exposure, finfluencer (financial influencer) credibility, platform used for investment advice and herd mentality on retail investor's investment behavior in Chennai. The research identifies significant relationships of these digital factors with investment decisions using a structured questionnaire and quantitative analysis. According to the findings, exposure to social media enhances investor behavior in a positive way if content is considered credible and coincides with the collective market opinion.

Moreover, the research also uncovers that retail investors now tend to subscribe to finfluencers for last minute, readily understandable thought processes, resulting in a herd behavior against popularly held, rather than conventional analysis. This dynamic is evolving hence the investor should have financial literacy and critical thinking in the digital world. An outgrowth of work in progress, the results help investors, financial content creators and policy makers seek informed and responsible investment practice in the era of social media. This research also provides a way forward for future behavioral bias research on digital platforms for financial decision making.

**Keywords:** Finfluencers, Investment Behavior, Social Media Influence, Behavioral Finance, Digital Trust, Herd Mentality.

## I. INTRODUCTION

Digital media has strongly changed the investment playground, including in particular the retail investors' ecosystem, which recently has been almost entirely focused on YouTube, Instagram, Twitter (x) and LinkedIn, to obtain financial information and obtain information on the market. The digital shift has elevated the role of the finfluencers or financial influencers, who utilize access information and tell their stories in an engaging and shaped way. At the same time, as financial decisions are increasingly determined by online content, behavioral factors associated to the credibility of the sources, extent of social media exposure and herd mentality are critical determining factors of investor actions.

Investors in this increasingly digital environment of subject to breaking news frenzy and peer action as much as financial fundamentals, are prone to emotionally motivated, sometimes risky decisions. A particularly concerning behavior among young and new investors who may not have the experience to assess critically advice on financial issues that they find on the Web. An intersection of the behavioral finance and the digital media has been an area of global research interest, however, Indian studies in this context is very minimal, especially with reference to urban retail investors in Chennai.

This gap is filled by the present study by investigating how retail investors in Chennai' investment behavior in response to social media exposure, perceived finfluencer credibility, and herd mentality. It is well timed, as digital channels are increasingly being used for financial decisions and investors are psychologically vulnerable in such environments. Studying these similar themes in the context of Western economies, little empirical work into this Indian context and even less into the total impact of all these three factors on actual investor behavior.

To fill this void, the study attempts to: explore the level of social media engagement of Chennai based retail investors; assess the level of influence of finfluencers in terms of credibility of financial influencers and consequential impact on the investment trust & decisions; examine the extent to which the herd mentality matters in the decision making in terms of group; and gauge the behavioral traits which further related to deal. The last thing these insights are not going

  

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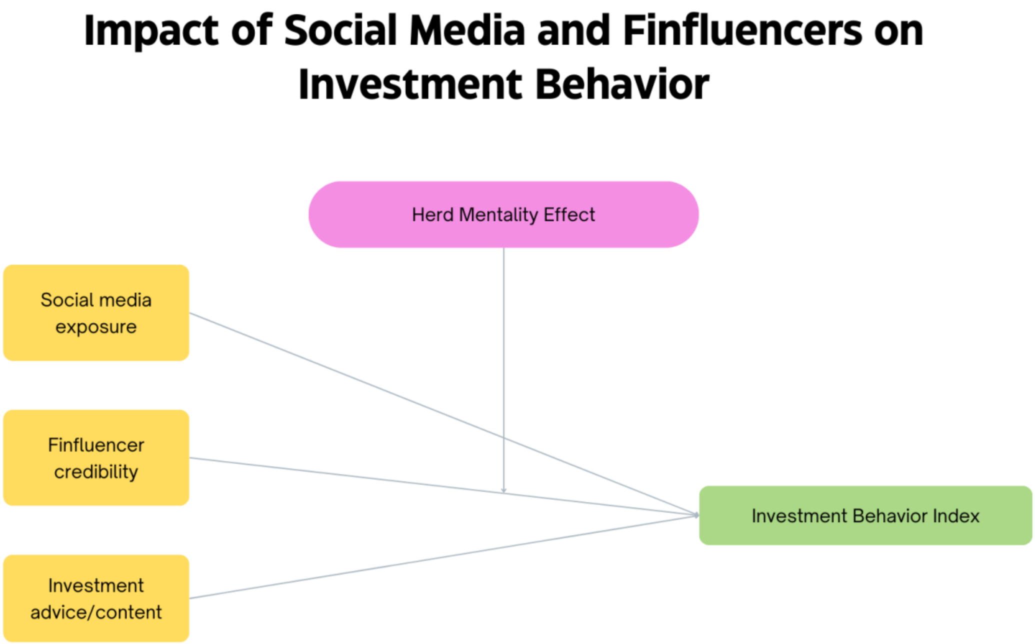
to be useful for is academic inquiry or improving investor education and developing a responsible digital communication strategy.

Nevertheless, the scope of the study is hedged. This research has limited generalizability to other regions, all geographic research has been done in Chennai. Structured questionnaires are used to collect data, which may leave so much unuttered or left unsaid. It focuses only on retail investors instead of institutional or high net worth investors. Furthermore, the findings may become applicable over time given the fast-changing social media trends and platform.
The study aims to bridge this research gap and has potential to make a substantial impact on the existing literature on behavioral finance in the Indian digital context as well as provide practical recommendations to the investors, policymakers and the content creators.

## II. CONCEPTUAL FRAMEWORK




## III. REVIEW OF LITERATURE

### Social Media Exposure and Investment Behavior

Social media platform has a major effect on how investor makes choice based on market sentiment and viral trends. As per Tyagi and Sanwal (2024), social media discussions and finance news exposure affects investment choices, the arising to be impulsive or speculative. According to Wang (2021), social media contagion of behavioral moves accelerates market fluctuations leading to increased susceptibility of behavioral herd amongst the investors. Additionally, Zhou and Li (2009) found that the more frequently one interacts with investment related social media, the riskier behavior he/she will exhibit.

### Finfluencer Credibility and Investment Decisions

Trust and decision making of investors are influenced by the credibility of financial influencers (finfluencers). Phan and Zhou (2014) also identified that investors are more likely to lend attention to the advice given by influencers with expertise, transparency and consistency of accuracy. Also, Yahya and Affandi (2024) found that among the financial influencers, the social proof, for example, how many followers and how they had engaged, significantly promotes the perceived reliability of these financial influencers and thereby enhances the amount of investment action being taken. Unlike Alamsyah and Huda (2023), some finfluencers do not provide enough financial backing for some risky investments but they are still promoting them.

### Platform Used for Investment Advice

Investment behavior varies based on the type of social media platforms. According to Karimi and Nasieku (2024), Twitter and Reddit, which gather real time market sentiment analysis, sometimes even facilitate short term trading.

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However, Sapkota and Chalise (2023) mentioned that investments in terms of long run are promoted by platforms such as YouTube and LinkedIn that offer in depth analysis from its related skills. According to Zhang and Zheng (2015), the investors who rely on discussions in forums have a higher introversion of herd mentality harder than the case where financial content is in the structured format.

**Investment Content and Market Trends**

The investment content matters greatly in terms of its nature i.e. news, stock tips or financial education and how these impacts upon the investor's decision. In particular, Wang (2021) found that viral stock recommendations are associated with short-term price increase and rise in trading volume. As emphasized by Tyagi and Sanwal (2024), high quality educational content helps in making an informed decision by reducing impulsive trading behavior. Yet, Zhou and Li (2009) pointed out that as the phenomena of clickbait financial content is widespread, there are more risks related to financial misinformation.

**Investment Behavior Index**

Psychological and social factors influence investment activity with the result that indices have been developed to measure investment tendencies. Investment Behavior Index (IBI) was proposed by Sanches (2019) to determine the impact of emotions, risk perception, and external influences on decisions of money. According to Tyagi and Sanwal (2024), IBI fluctuations have direct correlation with markets trends thus investor sentiment are the drivers of price movements. According to Zhang and Zheng (2015), behavioral biases in loss aversion and overconfidence in particular have important impacts on this index.

**Herd Mentality as a Moderating Variable**

Numerous studies have been done on moderation of the investment decision by herd behavior resulting in irrational trading. According to Yahya and Affandi (2024), during periods of uncertainty in the market, investors behave like imitators and boost stock volatility animatedly. Therefore, Alamsyah and Huda (2023) argue that herd mentality is more pronounced in the speculative market as the behavioral characteristics of such as fear of missing out (FOMO) increase trading activity. According to Karimi and Nasieku (2024) People suffering from psychological biases such as confirmation bias and groupthink are less likely to perform independent financial analysis reinforcing the herd behavior and making the investors less likely to do so.

## IV. METHODOLOGY

**Respondents and Sampling Procedure**

The population that study focused on was people residing in Chennai, Tamil Nadu, who are accessing social media platforms for investment related content. The respondents sampled were targeted with a non-probability purposive technique that includes those who have had prior exposure to online financial advice or followed investment pages or finfluencers. Therefore, the rationale behind this sampling method was to have active or potential investors with influence by digital platforms give insight or be relevant. The complete dataset contained 150 responses. Google Forms was used to collect the data that were ensured to capture a wide reach and convenience.

**Instrument Design and Structure**

Data were collected with the use of a structured questionnaire which was divided into two sections of key importance. In the first section demographic details: age, gender, education, occupation, income and frequency of using social media was collected. Therefore, in the second section, I concentrated on the five core constructs of the study: Social Media Exposure (SME), Finfluencer Credibility (FC), Investment Advice (IA), Investment Behavior Index (IBI) and Herd Mentality Effect (HM). Five statements on 5-point Likert scale (1 = Strongly disagree to 5 = Strongly agree) were used to measure each construct, adapted from a validated source as appropriate.

## V. ANALYSIS AND INTERPRETATION

**Reliability analysis**

| Construct | Cronbach's Alpha |
|---|---|
| Social Media Exposure | 0.782 |
| Finfluencer Credibility | 0.658 |
| Platform Used for Investment Advice | 0.700 |
| Investment Behavior Index (DV) | 0.794 |
| Herd Mentality Effect (Moderator) | 0.637 |

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Values above 0.70 generally are considered to be a sign of acceptable internal consistency. In this study, Social Media Exposure (α = 0.782) and Investment Behavior Index (α = 0.794) had high reliability. Investment Advice platform used reached the level of acceptable threshold (α = 0.700). Finfluencer Credibility (α = 0.658), and Herd Mentality Effect (α = 0.637) despite having lower values; nevertheless, are within acceptable standards for exploratory research in social sciences. Therefore, these results indicate that the scales used are consistent and appropriate for further statistical analysis.

**Regression Analysis**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .770a | .592 | .584 | .34682 |

a. Predictors: (Constant), Investment Advice centered, Social Media Exposure centered, Finfluencer Credibility centered

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 25.511 | 3 | 8.504 | 70.696 | .000b |
| | Residual | 17.562 | 146 | .120 | | |
| | Total | 43.073 | 149 | | | |

a. Dependent Variable: Investment Behavior Index
b. Predictors: (Constant), Investment Advice centered, Social Media Exposure centered, Finfluencer Credibility centered

The **R Square value of 0.592** indicates that **59.2%** of the variance in **Investment Behavior Index** is explained by the independent variables. This shows a strong predictive relationship. The **F-statistic (70.696, p < 0.001)** confirms that the regression model is statistically significant, meaning that the independent variables significantly predict Investment Behavior Index.

**Coefficients Analysis**
**H1:** Social Media Exposure positively influences Investment Behavior.
**H2:** Finfluencer Credibility positively influences Investment Behavior.
**H3:** Platform Used for Investment Advice positively influences Investment Behavior.

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.367 | .028 | | 48.26 | .000 |
| | SMEcentered | .317 | .074 | .322 | 4.299 | .000 |
| | FCcentered | .401 | .081 | .404 | 4.974 | .000 |
| | IAcentered | .148 | .085 | .137 | 1.740 | .084 |

a. Dependent Variable: Investment Behaviour Index

**Social Media Exposure (β = 0.322, p < 0.001):** A positive and significant effect on investment behavior shows that the people exposed to investment related content on social media are more prone to investment activities.
**Finfluencer Credibility (β = 0.404, p < 0.001):** There exists a strong and significant positive influence where users who find finfluencers credible are likely to follow the input of such finfluencers and invest accordingly.
**Platform Used for Investment Advice (β = 0.137, p = 0.084):** The positive effect is significant but not so and the choice of platform does not have a reliable impact on the choice of investment behavior in this model.

**Moderation Analysis**
**Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .770a | .592 | .584 | .34682 |
| 2 | .811b | .657 | .643 | .32127 |

a. Predictors: (Constant), Investment Advice centered, Social Media Exposure centered, Finfluencer Credibility centered
b. Predictors: (Constant), Investment Advice centered, Social Media Exposure centered, Finfluencer Credibility centered, FC X HM, SME X HM, IA X HM

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Model 2 shows a better fit, with a higher $R^2$ (65.7%) compared to Model 1 (59.2%), indicating the addition of interaction (moderation) terms improves the model.

**H4:** Herd Mentality significantly moderates the relationship between Finfluencer Credibility and Investment Behavior, such that the relationship is stronger when Herd Mentality is high.

| Predictor | B (Unstandardized) | Std. Error | Beta (Standardized) | t-value | Sig. (p-value) |
|---|---|---|---|---|---|
| FC X HM | 0.517 | 0.219 | 0.637 | 2.364 | 0.019 |

Dependent variable: Investment Behavior Index

As per statistically significant interaction between Finfluencer Credibility (FC) and Herd Mentality (HM) (B = 0.517 and p = 0.019) it is reflected that the relationship between Finfluencer Credibility and Investment Behavior has been moderated by Herd Mentality. The Effect of Positive Finfluencer Credibility on Investment Behavior is strengthened if a person has a higher propensity to herd mentality. This finding implies that credible finfluencers are appealing due to an audience's herd like propensities, and thus marketing strategies or financial content that leverages such finfluencers would be likely to succeed in this audience.

## VI. RESULTS AND DISCUSSIONS

Reliability analysis was conducted to confirm that the study used all the constructs such as Social Media Exposure, Finfluencer Credibility, Investment Advice Platform, Investment Behavior Index, and Herd Mentality, which were all found to have ready internal consistency (Cronbach's Alpha > 0.6).

Regression analysis showed that **Social Media Exposure** and **Finfluencer Credibility** had significant and positive effects on investment behavior. Notably, **Finfluencer Credibility emerged as the strongest predictor**, emphasizing the trust placed in financial influencers among digital-age investors. Conversely, the **platform used for investment advice did not significantly influence behavior**, suggesting that content credibility and source reputation may outweigh the medium through which advice is received.

**Herd Mentality** was found to **moderate the relationship between Finfluencer Credibility and Investment Behavior** in the moderation analysis. Such results suggest that **credible finfluencers have a stronger influence** on users who are more likely to invest based on others.

These findings have major implications for the **credibility trappings and social proof in digital investment decisions** when influence culture and peer behavior are at play in the market. To design a platform or to be a financial marketer, one should look at the ways of benefiting the social side of investing behavior and boosting the perceived credibility.

## VII. SUGGESTIONS

- Leverage Credible Finfluencers: Partner with reputable finfluencers to build investor trust through verified credentials and transparent communication.
- Enhance Social Media Marketing: Develop targeted educational campaigns that encourage informed financial decision-making.
- Promote Financial Literacy: Guide influencers to promote responsible investment practices to minimize speculative behavior.
- Build Platform Trust: Strengthen user confidence through reviews, expert endorsements, and transparent algorithms.
- Target Young and Middle-Income Investors: Provide beginner-friendly tools and affordable advisory services tailored to this demographic.

## VIII. CONCLUSION

In this study, Social Media Exposure, Finfluencer Credibility and Investment Advice platforms effect on Investment Behavior, with Herd Mentality as moderating variable, were explored. It is found that perceived credibility of Finfluencers has more impact on individuals' investment decisions, than the exposure, and it is shown that social media exposure and perceived credibility of Finfluencers combine to affect individuals' investment decisions. The investment advice platform used, however, did not very strongly predict.

Importantly, the effect of Finfluencer credibility was strengthened by herd mentality, indicating that social influence played a crucial role in the digital financial decision-making. This highlights the fast adoption of the social media and influencer culture into the investment landscape especially to young, digitally active investors.

Overall, the results provide useful insights for financial marketers, digital platforms and policymakers to engage more people, as well as to increase trust and responsible investing in the era of social media and the quick access to financial tools.

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[11]. **Scales used for questionnaire**

[12]. **Social Media Exposure Scale**: Adapted from [Zhou & Li (2009)] and [Tyagi & Sanwal (2024)] – focused on frequency and intensity of social media interaction for financial content.

[13]. **Finfluencer Credibility Scale**: Adapted from [Phan & Zhou (2014)] and [Yahya & Affandi (2024)] – capturing expertise, trust, and consistency of influencers.

[14]. **Platform Used for Investment Advice**: Developed using insights from [Karimi & Nasieku (2024)], [Sapkota & Chalise (2023)], and [Zhang & Zheng (2015)] – differentiated platform types based on their investment content.

[15]. **Investment Behavior Index (IBI)**: Based on [Sanches (2019)] – measures psychological and social factors influencing investment decisions.

[16]. **Herd Mentality Effect**: Modified from behavioral tendencies and biases outlined in [Alamsyah & Huda (2023)] and [Yahya & Affandi (2024)] – capturing FOMO, groupthink, and imitative trading behavior.