FROM INFLUENCE TO INVESTMENT: THE ROLE OF FINFLUENCERS IN SHAPING RETAIL INVESTOR BEHAVIOUR IN KERALA

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ABSTRACT:
In recent years, finfluencers have emerged as key opinion leaders in the digital financial ecosystem, influencing retail investors through social media content. This study examines their impact on investment decisions in Kerala, India, focusing on credibility, content usefulness, and financial literacy. Based on a cross-sectional survey of 468 investors and binary logistic regression analysis, the findings reveal that finfluencers significantly affect investment behaviour. Credibility and content usefulness were strong predictors, while financial literacy positively moderated the influence. Risk perception had no significant effect. The study underscores the need for regulatory oversight and financial education in a digitally evolving investment environment.
Keywords: Finfluencers, Retail Investors, Investment Decisions, Social Media, Financial Literacy, Binary Logistic Regression

INTRODUCTION:
The rise of retail participation in financial markets has been a defining trend over the past decade. Enabled by digital platforms, lower brokerage costs, and a growing drive for wealth creation, retail investors are increasingly managing their own portfolios (Coban, 2023). In India, especially in Kerala, this surge mirrors global patterns, with growing interest in stocks, mutual funds, and digital assets. This shift is also shaped by a new category of financial opinion leaders—finfluencers. Finfluencers are individuals who share advice on personal finance and investment via platforms like YouTube, Instagram, and Twitter. Their persuasive communication, wide reach, and accessible content have gained the trust of young, tech-savvy investors (Hasanah et al., 2025). Unlike traditional advisors, their appeal lies in relatability and convenience. In Kerala—known for its high literacy and digital adoption—finfluencers are becoming key players in public investment discourse. Their impact is explained by source credibility theory, which asserts that message acceptance is linked to the communicator’s expertise and trustworthiness (Khoirotunnisa, 2024). In digital finance, investors are more likely to follow credible and knowledgeable influencers. Social learning theory (Stefanau, 2022) also sheds light on how users imitate observed behaviors and outcomes. However, this influence is not uniform. Factors like financial literacy and risk perception may shape the degree of impact (Subramanian, 2023).Despite their growing reach, finfluencers operate with little regulation, raising concerns about bias, accuracy, and potential conflicts of interest (Kamalnath, 2024). Retail investors with low financial literacy are particularly at risk. Although some studies have explored social media’s role in investment behavior (Guan, 2022), there is limited empirical research specifically on finfluencers in India. This study addresses that gap by analyzing how finfluencers influence retail investors in Kerala. It examines variables such as influencer credibility, content usefulness, financial literacy, and risk perception using a cross-sectional survey and binary logistic regression. The findings aim to guide policymakers on disclosure norms, support educators in promoting financial literacy, and contribute to the broader literature on digital finance and behavior.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT:
Finfluencers and Retail Investment Behaviour:
The digitalization of finance has reshaped how investment knowledge is accessed and applied. A key development is the rise of financial influencers, or "finfluencers," who share financial content on

platforms like YouTube, Instagram, and X, often without formal certification (Khurana, 2023; Çoban, 2023). Their influence derives from accessibility, relatability, and consistent content delivery. Research shows finfluencers significantly shape retail investor attitudes and behavior. For example, Guan (2023) found that social media financial advice alters investor actions, while Singh and Sarva (2024) noted that perceived trust in finfluencers often replaces formal advice in emerging markets. In digitally aware regions like Kerala, it becomes vital to assess whether exposure to finfluencers significantly influences retail investment decisions.

H1: Exposure to finfluencers significantly influences the investment decisions of retail investors.

Influencer Credibility:

Credibility is a widely studied construct in influencer marketing. Source credibility theory holds that message acceptance relies heavily on the communicator's expertise and trustworthiness (Hudders & Van Reijmersdal, 2023). In finance, where decisions involve complexity and risk, these traits are crucial. Hudders and Van Reijmersdal (2023) showed that knowledgeable and persuasive finfluencers strongly influenced followers' financial attitudes. Gerritsen and de Regt (2025) also found that perceived influencer credibility directly affects financial decision-making. Thus, if investors view a finfluencer as credible, they are more likely to act on their advice.

H2: Influencer credibility significantly predicts whether a retail investor will be influenced in their investment decisions.

Content Usefulness:

Perceived usefulness of content is another key driver of influence. Davis's Technology Acceptance Model (TAM) asserts that perceived usefulness directly affects one's intent to adopt a system or information source. In the context of finfluencers, simplified, visually engaging, and actionable content is more likely to influence behavior. Khoirotunnisa (2024) found that relevant and practical financial content shared by finfluencers reshapes retail investment behavior. Similarly, Gerritsen and de Regt (2025) showed that perceived value and usefulness of influencer content significantly influence decisions. When information is timely, relatable, and easy to apply, investors tend to act—even without formal advice.

H3: Content usefulness positively influences retail investors' investment decisions.

FINANCIAL LITERACY AS A MODERATOR:

Financial literacy plays a dual role in digital financial behavior: it can either shield retail investors from unreliable content or enable them to leverage such content more effectively. Individuals with higher financial literacy are more capable of critically evaluating advice, understanding investment products, and distinguishing between opinion and fact. Gupta and Gupta (2024) emphasized that financially literate investors are more discerning in selecting credible finfluencers and are less susceptible to manipulative or speculative content. Similarly, Ben-Shmuel, Hayes, and Drach (2024) explored how the framing of financial advice—when filtered through a lens of literacy and awareness—affects investment perception and behavior. These findings suggest that financial literacy can act as a moderating force between finfluencer content and actual investment actions. Thus, financial literacy is not just a predictor of responsible investment behavior—it also enhances the impact of credible finfluencers. H4: Financial literacy positively moderates the relationship between finfluencer exposure and investment decision-making.

MATERIALS AND METHODS:

This study aimed to examine the influence of financial influencers (finfluencers) on the investment decisions of retail investors in Kerala, focusing specifically on the roles of influencer credibility, content usefulness, and the moderating effect of financial literacy. A quantitative cross-sectional research design was adopted, utilizing a structured questionnaire to collect primary data from retail investors across the state. The questionnaire employed standardized five-point Likert-scale items to measure perceptions related to finfluencer influence and investment behavior.

Purposive sampling was used to identify respondents who had at least three years of experience in investments such as stock markets, mutual funds, or digital assets. This criterion ensured that participants had sufficient exposure and judgment to assess the impact of finfluencer content. A total of 468 valid responses were collected, meeting the sample size requirements for binary logistic regression analysis and hypothesis testing (Hosmer et al., 2013). Data were gathered through an online survey conducted between January and March 2025, circulated via investment forums, financial literacy groups, and social media platforms. A pilot test involving 50 experienced investors was carried out to ensure the clarity and reliability of the instrument, with minor revisions incorporated before full deployment.

The dependent variable was binary in nature—whether an investor reported being influenced by finfluencers or not. Independent and moderating variables were derived from established constructs in prior literature, and their relationships were explored using binary logistic regression. This method was appropriate for estimating the likelihood of influence based on the identified predictors. Descriptive statistics and correlation analysis were also performed to examine distributional characteristics and associations among variables. Model adequacy was validated using classification accuracy, Hosmer–Lemeshow goodness-of-fit test, and pseudo-R^2 values such as Nagelkerke R^2.

Table 1: Description of variables used

Variable	**Type**	**Description**	**Measurement**
Influence by Finfluencers	Dependent (Binary)	Whether the investor's decision is influenced by finfluencers (Yes = 1, No = 0)	Dichotomous Response
Influencer Credibility	Independent	Perceived trustworthiness and expertise of the finfluencer	(1 = Strongly Disagree to 5 = Strongly Agree)
Content Usefulness	Independent	Perceived value, clarity, and applicability of influencer content	4 items (5-point Likert)
Financial Literacy	Moderator	Self-assessed understanding of basic financial principles and investment options	5 items (5-point Likert)
Age, Gender, Income	Control Variables	Demographic factors potentially impacting investment behavior	Categorical/Continuous

The internal consistency of each scale was confirmed using Cronbach's alpha (>0.70), indicating acceptable reliability.

RESULTS AND DISCUSSION:

Descriptive Statistics:

Descriptive statistics were calculated for all major constructs, including influencer credibility, content usefulness, and financial literacy. Table 1 presents the mean and standard deviation values for these variables, based on responses from 468 investors.

Table 2. Descriptive Statistics of Key Variables

Variable	Mean	Standard Deviation
Influencer Credibility	3.87	0.64
Content Usefulness	4.01	0.58
Financial Literacy	3.65	0.72

Note : The table provides the results of the descriptive statistics

The results show that, on average, respondents rated both influencer credibility and content usefulness highly. Financial literacy showed a moderate mean score, suggesting variation in investor self-confidence and knowledge.

CORRELATION ANALYSIS:

Pearson correlation coefficients were calculated to explore the relationships among the independent variables. Table 2 presents the correlation matrix.

Table 3. Correlation Matrix

Variable	1	2	3
1. Influencer Credibility	1		
2. Content Usefulness	0.48**	1	
3. Financial Literacy	0.32**	0.37**	1

Note: Table provides the correlation matrix of key variables in the study, $p<0.01$. The correlations are positive and significant, indicating that perceived credibility and usefulness are positively associated with financial literacy and with one another. However, no multicollinearity concerns were detected, as the coefficients remain below 0.80.

BINARY LOGISTIC REGRESSION ANALYSIS:

To test the hypotheses, binary logistic regression was employed, with the binary dependent variable coded as 1 = Influenced by finfluencers, and 0 = Not influenced. Table 3 displays the regression results.

Table 4. Binary Logistic Regression Results

Predictor	B	SE	Wald	Exp(B)	p-value
Influencer Credibility	0.982	0.219	20.11	2.67	<.001
Content Usefulness	0.763	0.196	15.12	2.14	<.001
Financial Literacy (Moderator)	0.594	0.174	11.64	1.81	0.001
Constant	-2.312	0.541	18.27	—	<.001

Model Summary:

- Nagelkerke $R^2 = 0.37$
- Hosmer–Lemeshow Test: $p = 0.476$ (indicating good fit)
- Classification Accuracy: 78.6%

Note : The table gives the results of the binary logistic regression results

The model is statistically significant ($p < .001$), with Nagelkerke R^2 suggesting a moderate explanatory power. All three predictors—credibility, content usefulness, and financial literacy—were significant at the 1% level.

Table 5: Summary of hypotheses

Hypothesis	Statement	Supported
H1	Exposure to finfluencers significantly influences the investment decisions of retail investors.	Yes
H2	Influencer credibility significantly predicts whether a retail investor will be influenced.	Yes
H3	Content usefulness positively influences retail investors' investment decisions.	Yes
H4	Financial literacy positively moderates the relationship between finfluencer exposure and investment decisions.	Yes

Note: The table provides the summary of hypotheses tested

DISCUSSION :

The study reveals that finfluencers play a significant role in shaping the investment behavior of retail investors in Kerala**.** The strong predictive power of influencer credibility confirms prior findings by Hudders and Van Reijmersdal (2023) and Gerritsen and de Regt (2025)**,** suggesting that trust and perceived expertise are essential precursors to investor action. This supports H2**,** reaffirming that retail investors tend to follow advice from sources they perceive as both knowledgeable and authentic.

The significant effect of content usefulness supports H3**,** consistent with Khoirotunnisa (2024) and Gerritsen and de Regt (2025)**,** who found that clarity, relevance, and applicability of financial content are strong motivators of investor behavior. In Kerala's context, where retail investors increasingly access information through mobile apps and social media, content that simplifies complex investment concepts is seen as both valuable and actionable.

Importantly, financial literacy emerged as a significant moderator (H4**)**, implying that more financially literate individuals are both more selective and more likely to act upon influencer advice if it aligns with sound principles. This finding aligns with Gupta and Gupta (2024) and Ben-Shmuel, Hayes, and Drach (2024)**,** who emphasize the empowering and filtering role of financial knowledge**.** It also implies that policies aimed at improving financial literacy can enhance responsible content consumption and reduce investor vulnerability.

Collectively, these results affirm H1**,** indicating that exposure to finfluencers indeed translates into changed investment behavior**.** This aligns with earlier insights from Guan (2023) and Singh and Sarva (2024)**,** who documented the ability of finfluencers to substitute traditional advisory channels and drive behavioral change among retail investors. The substantial odds ratios for all independent variables show that the presence of credible and useful content shared by finfluencers can significantly increase the likelihood of influence—often doubling or tripling it.The results further underscore the importance of digital communication and social trust in financial behavior, especially among younger, tech-savvy investors. In regions like Kerala**—**characterized by high internet penetration and digital awareness— the influence of social media-based investment advice is particularly strong. However, the findings also indicate a growing need for regulatory frameworks and digital media ethics to protect less literate or more impressionable investors, a concern echoed by Khurana (2023) and Stefanou (2022) in their calls for greater oversight of online investment advice.

IMPLICATIONS:

This study offers timely and multifaceted implications for the investment ecosystem, particularly among digitally active retail investors in Kerala. As digital platforms replace traditional advisory channels, finfluencers have emerged as influential players in retail investment decisions. The findings provide empirical evidence that influencer credibility, content usefulness, and financial literacy are key predictors of investor behavior, underscoring a broader behavioral shift in financial markets.

For retail investors, the results highlight the need for critical evaluation of content credibility**,** not just persuasion. Exposure to financial advice on platforms like YouTube or Instagram demands a cautious, informed approach, especially amid unregulated or promotional content. Financial literacy enhances the ability to benefit from online advice, acting as a safeguard against misinformation and impulsive investing.

For finfluencers, the study underscores the importance of building digital trust and sharing content that is educational, ethical, and actionable**.** Audiences respond more to transparent, high-quality advice, elevating credible content creators into vital agents of financial awareness.

From a regulatory perspective, the strong influence of finfluencers warrants formal recognition and policy oversight. Bodies like SEBI could introduce certification frameworks to ensure transparency and fairness in digital financial content. Financial literacy programs may also leverage credible finfluencers as delivery agents, especially in underpenetrated rural or semi-urban areas.Finally, financial institutions and investor protection bodies can collaborate with responsible finfluencers to promote verified information, helping mitigate risks of herd behavior and market manipulation commonly triggered by viral financial content.

CONCLUSION:

In an era dominated by digital interaction, the investment landscape is undergoing a paradigm shift. This study contributes to digital behavioral finance by examining how finfluencers shape retail investment decisions in Kerala. Findings reveal that influencer credibility and the perceived usefulness of financial content significantly increase the likelihood of investor influence. Financial literacy acts as a key moderator, enabling more discerning engagement with online financial advice. Using binary logistic regression, the study confirms that investment behavior is no longer solely driven by traditional economic rationality but by digitally mediated credibility and content relevance. These insights call for a collective response from content creators, investors, and regulators to ensure ethical, high-quality financial communication. The study is especially relevant to Kerala and similarly digital-savvy regions in India, offering investors clarity on how they are influenced and guiding content creators toward responsible communication standards. Regulators may also benefit by crafting frameworks for digital financial content oversight. However, limitations include its cross-sectional design and context-specific focus, which may not reflect long-term or broader patterns. Future research should explore longitudinal or mixed methods to track evolving behaviors. In sum, finfluencers are more than content creators - they are behavioral catalysts whose impact must be responsibly harnessed to promote informed and inclusive investing.

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