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A Study on the Impact of Instagram Financial Influencers on Financial Literacy and Investment Behaviour of Gen Z in Bengaluru

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Abstract - The rapid growth of social media has changed how young adults access financial information. This study examines the impact of Instagram financial influencers, or finfluencers, on the financial literacy and investment behaviour of Generation Z in Bengaluru. The study focuses on three influencer characteristics—Finfluencer Credibility, Content Quality and Engagement Frequency—and examines their relationships with Financial Literacy, Herding Behaviour and Investment Behaviour. A quantitative, descriptive and explanatory cross-sectional design was adopted. Primary data were collected through a structured five-point Likert-scale questionnaire from 385 respondents. The analysis used descriptive statistics, reliability testing, one-sample t-test, correlation, multiple regression and Partial Least Squares Structural Equation Modelling (PLS-SEM). The conventional regression results indicate strong positive relationships between influencer characteristics and financial literacy and investment behaviour. Finfluencer credibility also has a strong positive association with herding behaviour. The PLS-SEM measurement model demonstrates satisfactory reliability, convergent validity and discriminant validity, with SRMR = 0.034 and NFI = 0.924. The structural model explains 92.3% of Financial Literacy, 56.8% of Herding Behaviour and 80.7% of Investment Behaviour. Mediation results indicate significant indirect effects through financial literacy and herding behaviour. The study concludes that Instagram finfluencers can support financial learning and investment participation, but credibility and popularity may also encourage imitation. Therefore, critical evaluation and financial literacy remain important for responsible digital investment decisions.

Keywords: Instagram; Financial Influencers; Financial Literacy; Herding Behaviour; Investment Behaviour; Generation Z; PLS-SEM

1. Introduction

Financial decision-making has increasingly moved into digital and social-media environments. Traditional sources such as banks, professional advisers, newspapers, brokers and family members are now complemented by social-media platforms where financial creators discuss stocks, mutual funds, systematic investment plans, savings, taxation, trading and personal finance. Instagram is particularly relevant because its visual and interactive formats allow creators to communicate through reels, stories, posts and short educational videos.

Generation Z is important in this environment because it has grown up with smartphones, social networking platforms and digital financial services. Their financial information-seeking behaviour may therefore be shaped by repeated exposure to digital content in addition to formal education. In the study sample, 37.1% reported watching financial content several times a week and 24.7% watched it daily. Further, 66.8% already invested in financial products, indicating meaningful exposure to financial decision-making.

The study examines three characteristics of Instagram financial influencers: credibility, content quality and engagement frequency. Credibility captures perceived knowledge, trustworthiness, authenticity and expertise. Content quality represents relevance, clarity, accuracy, sufficiency and ease of understanding. Engagement frequency reflects regular viewing, interaction and repeated exposure. These characteristics are

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examined in relation to financial literacy and investment behaviour, while herding behaviour is incorporated as a behavioural mechanism.

1.1 Problem Statement

The central problem is not simply whether Gen Z watches financial content, but how influencer characteristics affect financial understanding and investment actions and whether those effects occur through rational learning, social imitation, or both. Credible educational content may improve financial literacy, while high trust and social popularity may also increase the tendency to follow recommendations without independent evaluation.

1.2 Research Questions

- How do Finfluencer Credibility, Content Quality and Engagement Frequency affect the Financial Literacy of Gen Z in Bengaluru?
- Does Finfluencer Credibility significantly influence Herding Behaviour among Gen Z?
- Do Financial Literacy and Herding Behaviour influence the relationship between finfluencer characteristics and Investment Behaviour?
- Do Instagram financial influencer characteristics have a significant direct effect on Investment Behaviour?

1.3 Objectives

- To examine the effect of Finfluencer Credibility, Content Quality and Engagement Frequency on Financial Literacy.
- To assess the effect of Finfluencer Credibility on Herding Behaviour.
- To investigate the mediating role of Financial Literacy and Herding Behaviour in Investment Behaviour.
- To evaluate the direct effect of Instagram financial influencer characteristics on Investment Behaviour.

2. Literature Review and Theoretical Background

The study is grounded in the Source Credibility Perspective and Social Learning Perspective. Source credibility suggests that information is more likely to be accepted when the communicator is perceived as knowledgeable, trustworthy and authentic. In a financial context, perceived credibility can reduce uncertainty and increase confidence in information. Social learning explains how individuals may acquire attitudes and behaviours by observing others. Instagram provides a strong environment for observational learning because users repeatedly encounter demonstrations, recommendations and investment narratives.

Prior research reviewed in the dissertation generally indicates that financial influencers can improve financial awareness and accessibility while also creating risks associated with misinformation, behavioural bias, herd behaviour and regulatory concerns. Indian studies have reported positive relationships between finfluencer credibility and investment decisions, while international studies have highlighted the roles of financial literacy, FOMO, authenticity, trust and behavioural biases.

Studies such as Sharma, Gupta and Singh (2024) and D'Souza and Pinto (2024) provide India-specific evidence on Gen Z and financial influencers. Sherene (2024) emphasises credibility, while Baviskar (2024) identifies financial literacy as a potential explanatory mechanism. Shah and Patel (2025) report that credibility and content quality significantly influence financial decisions. International work by Martaningrat and Kurniawan (2024) and Ramadhan, Sulistyawati and Wibowo (2025) supports the relevance of social influence, financial literacy and herding behaviour.

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2.1 Research Gap

The literature review identifies several gaps. First, relatively few studies focus specifically on Instagram financial influencers and Gen Z investors in Bengaluru. Second, many studies examine credibility, financial literacy or investment behaviour separately rather than integrating credibility, content quality and engagement frequency. Third, investment intention is often used instead of broader investment behaviour. Fourth, relatively limited empirical work simultaneously considers Financial Literacy and Herding Behaviour as intervening mechanisms. Finally, several studies rely on descriptive or literature-review approaches without combining conventional inferential analysis with PLS-SEM.

2.2 Conceptual Model

The conceptual framework positions Finfluencer Credibility, Content Quality and Engagement Frequency as independent variables. Financial Literacy and Herding Behaviour are intermediate constructs, and Investment Behaviour is the dependent variable. The framework therefore combines a rational pathway based on financial learning with a behavioural pathway based on social imitation.

2.3 Hypotheses

- H1: Finfluencer Credibility, Content Quality and Engagement Frequency significantly affect Financial Literacy.
- H2: Finfluencer Credibility significantly affects Herding Behaviour.
- H3: Financial Literacy and Herding Behaviour significantly influence the relationship between finfluencer characteristics and Investment Behaviour.
- H4: Instagram financial influencer characteristics significantly affect Investment Behaviour.

3. Methodology

3.1 Research Design

The study uses a quantitative, descriptive and explanatory cross-sectional research design. A structured questionnaire was used to measure the study constructs numerically. The questionnaire contained 30 items and employed a five-point Likert scale for attitudinal statements, ranging from Strongly Disagree (1) to Strongly Agree (5).

3.2 Population and Sample

The population comprised Gen Z individuals in Bengaluru who were exposed to Instagram financial influencer content. The study used 385 respondents for the reported statistical analysis. Respondents included undergraduate students, postgraduate students, working professionals, self-employed individuals and others.

Table 1: Measurement constructs, questionnaire items and variable roles

Construct	Items	Role
Finfluencer Credibility	Q6–Q9	Independent variable
Content Quality	Q10–Q13	Independent variable
Engagement Frequency	Q14–Q16	Independent variable
Financial Literacy	Q17–Q20	Intermediate construct
Herding Behaviour	Q21–Q24	Intermediate construct
Investment Behaviour	Q25–Q30	Dependent variable

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3.3 Data Analysis

The analysis proceeded in stages. Descriptive statistics were used to summarise respondent characteristics and construct-level responses. Cronbach's Alpha assessed internal consistency. A one-sample t-test assessed whether Financial Literacy differed significantly from the neutral value of 3. Regression analysis tested the objectives relating to Financial Literacy, Herding Behaviour and Investment Behaviour. Pearson correlation assessed associations among the major constructs. PLS-SEM in SmartPLS was subsequently used to evaluate the measurement model, discriminant validity, model fit, structural paths, R^2 values and indirect effects.

3.4 Reliability and Validation

The overall questionnaire demonstrated excellent reliability, with Cronbach's Alpha of approximately 0.981 for the reported 24-item construct set. Construct-level alpha values were also high: Finfluencer Credibility 0.936, Content Quality 0.936, Engagement Frequency 0.913, Financial Literacy 0.936, Herding Behaviour 0.863 and Investment Behaviour 0.932. The PLS-SEM measurement model reported outer loadings from 0.823 to 0.931, composite reliability above 0.70 and AVE above 0.50. Fornell-Larcker results supported discriminant validity.

4. Respondent Profile and Descriptive Results

Table 2: Respondent profile (n = 385)

Characteristic	Category	Percentage
Age	18–20 years	16.6%
Age	21–23 years	29.1%
Age	24–26 years	26.8%
Age	27–29 years	21.3%
Age	30 years and above	6.2%
Gender	Male	53.8%
Gender	Female	43.9%
Current status	Working professional	40.8%
Current status	Undergraduate student	25.5%
Current status	Postgraduate student	22.3%
Financial-content exposure	Daily	24.7%
Financial-content exposure	Several times a week	37.1%
Current investment	Yes	66.8%
Current investment	No	33.2%

The sample is concentrated in the 21–23 and 24–26 age groups, representing the core Gen Z population considered in the study. Working professionals form the largest respondent category. Exposure to Instagram financial content is substantial: 61.8% watch financial content either daily or several times a week. The fact that 66.8% of respondents currently invest in financial products provides a relevant context for examining investment behaviour.

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4.1 Construct-Level Descriptive Statistics

Table 3: Construct-level descriptive statistics

Construct	Mean	Std. Deviation
Finfluencer Credibility	3.793	0.882
Content Quality	3.733	0.892
Engagement Frequency	3.610	0.967
Financial Literacy	3.722	0.913
Herding Behaviour	3.390	0.928
Investment Behaviour	3.516	0.930

Finfluencer Credibility has the highest construct mean (3.793), indicating favourable perceptions of influencer knowledge, expertise and trustworthiness. Financial Literacy has a mean of 3.722, while Herding Behaviour has the lowest mean at 3.390, indicating a comparatively moderate level of social-following behaviour.

4.2 Key Perceptual Findings

Approximately 75.6% of respondents agree or strongly agree that trustworthy financial influencers are considered more seriously, and 73.5% report that influencer expertise increases confidence in learning financial concepts. About 77.6% find Instagram financial content easy to access and understand, while 73.0% believe repeated exposure increases interest in financial matters. Around 70.9% believe influencer content improved their basic financial knowledge.

5. Results: Objective 1 – Financial Literacy

5.1 One-Sample t-Test

The first objective examined the effect of Instagram financial influencer characteristics on Financial Literacy. Before assessing predictor effects, the mean Financial Literacy score was tested against the neutral value of 3.

Table 4: One-sample t-test for Financial Literacy (test value = 3)

Statistic	Value
Mean Financial Literacy	3.7221
Test value	3.0000
t-value	15.520
p-value	< 0.001
Cohen's d	0.791

The p-value is below 0.05; therefore, the null hypothesis is rejected. The mean Financial Literacy score is significantly higher than the neutral level. The effect size reported by the study (Cohen's d = 0.791) indicates a substantial difference from the neutral value.

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5.2 Multiple Regression

Table 5: Multiple regression: influencer characteristics and Financial Literacy

Predictor	Standardized β	Result
Finfluencer Credibility	0.562	Significant positive
Content Quality	0.251	Significant positive
Engagement Frequency	0.190	Significant positive
Model R^2	0.955	Very high explanatory power
F	2686.954	$p < 0.001$

The regression model is statistically significant. Finfluencer Credibility has the largest standardized coefficient in the reported SPSS model, followed by Content Quality and Engagement Frequency. Collectively, the three characteristics explain 95.5% of the variation in Financial Literacy in this conventional regression specification.

5.3 PLS-SEM Confirmation

The PLS-SEM model provides a complementary structural assessment. The reported path coefficients are 0.335 for Finfluencer Credibility, 0.370 for Content Quality and 0.278 for Engagement Frequency, all statistically significant. The R^2 for Financial Literacy is 0.923, meaning that 92.3% of its variance is explained by the three influencer characteristics. The PLS-SEM result therefore supports the first objective while providing a more comprehensive structural-model assessment.

6. Results: Objective 2 – Herding Behaviour

6.1 Simple Regression

Objective 2 assessed whether Finfluencer Credibility influences Herding Behaviour. The reported regression model is statistically significant, with $p < 0.001$. The model shows a strong positive relationship between perceived credibility and herding behaviour.

Table 6: Simple regression: Finfluencer Credibility and Herding Behaviour

Statistic	Value
R^2	0.719
F	978.606
Regression coefficient B	0.887
Standardized β	0.848
p-value	< 0.001

The R^2 value of 0.719 indicates that Finfluencer Credibility explains 71.9% of the variation in Herding Behaviour in the reported simple regression. The positive coefficient indicates that higher perceived credibility is associated with a greater tendency to follow popular recommendations or imitate trusted influencers.

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6.2 PLS-SEM Result

Table 7: PLS-SEM result: Finfluencer Credibility and Herding Behaviour

Relationship	β	Interpretation
Finfluencer Credibility → Herding Behaviour	0.754	Strong positive effect
R^2 for Herding Behaviour	0.568	56.8% explained variance
p-value	< 0.001	Significant

The PLS-SEM structural model confirms a strong and statistically significant positive path from Finfluencer Credibility to Herding Behaviour. The R^2 of 0.568 indicates that 56.8% of the variance in Herding Behaviour is explained by Finfluencer Credibility in the SEM model.

6.3 Behavioural Interpretation

The descriptive findings reinforce the regression results. Around 52.5% of respondents agree or strongly agree that they are influenced when many people support the same recommendation, and 58.9% consider investments recommended by popular financial influencers. This suggests that credibility may have a dual role: it can make financial education more persuasive, but it may also increase reliance on influencer-led social signals.

Accordingly, the second objective is supported. The evidence indicates that perceived credibility is not only an information-acceptance factor but also a behavioural factor associated with imitation and social following.

7. Results: Objective 3 – Financial Literacy, Herding and Investment Behaviour

7.1 Pearson Correlation

Table 8: Pearson correlation among Financial Literacy, Herding Behaviour and Investment Behaviour

Relationship	r	Significance
Financial Literacy ↔ Investment Behaviour	0.879	$p < 0.001$
Herding Behaviour ↔ Investment Behaviour	0.735	$p < 0.001$
Financial Literacy ↔ Herding Behaviour	0.764	$p < 0.001$

The correlation results show strong positive associations among Financial Literacy, Herding Behaviour and Investment Behaviour. Financial Literacy has the strongest bivariate relationship with Investment Behaviour ($r = 0.879$), followed by Herding Behaviour ($r = 0.735$). The positive association between Financial Literacy and Herding Behaviour ($r = 0.764$) also indicates that the rational and behavioural pathways are not independent in the sample.

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7.2 Regression with Intermediate Variables

Table 9: Regression with intermediate variables: Investment Behaviour

Predictor	Reported result
Financial Literacy	β = 0.364, p = 0.003
Herding Behaviour	β = 0.097, p = 0.046
Content Quality	Significant
Finfluencer Credibility	Not significant after controls
Engagement Frequency	Borderline/significance varies by specification
Model R^2	0.801

The regression model including influencer characteristics, Financial Literacy and Herding Behaviour explains approximately 80.1% of Investment Behaviour in the reported conventional regression. Financial Literacy and Herding Behaviour remain significant when considered with the other predictors. The results establish strong associations and provide evidence consistent with an intervening mechanism.

7.3 PLS-SEM Mediation

The PLS-SEM analysis reports four statistically significant specific indirect effects. Content Quality and Engagement Frequency influence Investment Behaviour through Financial Literacy, while Finfluencer Credibility influences Investment Behaviour through both Financial Literacy and Herding Behaviour. The model reports R^2 values of 0.923 for Financial Literacy, 0.568 for Herding Behaviour and 0.807 for Investment Behaviour.

Thus, the SEM results provide stronger support for the proposed mediation pathways than the conventional regression alone. They indicate that influencer characteristics can affect investment behaviour not only directly but also through financial learning and social imitation.

8. Results: Objective 4 – Direct Effect on Investment Behaviour

8.1 Conventional Multiple Regression

Table 10: Multiple regression: direct effects on Investment Behaviour

Predictor	Standardized β	Reported result
Content Quality	0.443	Significant positive
Finfluencer Credibility	0.276	Significant positive
Engagement Frequency	0.198	Significant positive
Model R^2	0.796	79.6% explained
F	496.736	$p < 0.001$

The direct-effect regression model is statistically significant. Content Quality has the largest standardized effect in the reported conventional model, followed by Finfluencer Credibility and Engagement Frequency. The three characteristics collectively explain 79.6% of the variation in Investment Behaviour.

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8.2 PLS-SEM Direct Effects

Table 11: PLS-SEM direct effects on Investment Behaviour

Relationship	β / Result
Finfluencer Credibility → Investment Behaviour	Significant; p = 0.002
Content Quality → Investment Behaviour	Significant; p = 0.002
Engagement Frequency → Investment Behaviour	β = 0.071; p = 0.343; not significant
R^2 Investment Behaviour	0.807

The PLS-SEM direct-effect model explains 80.7% of Investment Behaviour. Finfluencer Credibility and Content Quality retain significant positive direct effects, whereas Engagement Frequency does not show a statistically significant direct effect in the SEM model. This distinction suggests that simply viewing or interacting with content may be less important than the credibility and quality of the information being communicated.

8.3 Overall Objective-Wise Result

Table 12: Objective-wise summary of results

Objective	Overall evidence
Objective 1	Supported: influencer characteristics significantly affect Financial Literacy.
Objective 2	Supported: Finfluencer Credibility significantly affects Herding Behaviour.
Objective 3	Supported: Financial Literacy and Herding Behaviour show significant indirect pathways.
Objective 4	Supported: Credibility and Content Quality have significant direct effects in PLS-SEM.

The findings demonstrate that Instagram influence operates through a combination of informational and behavioural mechanisms. The results do not imply that social media alone determines investment decisions; rather, the study identifies statistically significant relationships within the sampled Gen Z population.

9. PLS-SEM Measurement Model and Structural Model

9.1 Measurement Model

Table 13: PLS-SEM measurement model assessment

Assessment	Reported result	Conclusion
Outer loadings	0.823–0.931	Indicator reliability satisfactory
Cronbach's Alpha	All constructs > 0.70	Reliable
Composite Reliability	All constructs > 0.70	Reliable
AVE	All constructs > 0.50	Convergent validity
Fornell-Larcker	√AVE exceeds corresponding correlations	Discriminant validity

The measurement model demonstrates satisfactory indicator reliability, internal consistency and convergent validity. The Fornell-Larcker criterion also supports discriminant validity among the six constructs.

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9.2 Model Fit

Table 14: Model fit indices

Fit Index	Value	Assessment
SRMR	0.034	Satisfactory
NFI	0.924	Satisfactory

The reported SRMR of 0.034 is below the commonly used 0.08 reference point, while NFI of 0.924 exceeds 0.90. The dissertation therefore reports satisfactory overall model fit.

9.3 Structural Model

The structural model reports a strong path from Finfluencer Credibility to Herding Behaviour (β = 0.754). Content Quality, Finfluencer Credibility and Engagement Frequency positively influence Financial Literacy with β values of 0.370, 0.335 and 0.278 respectively. Financial Literacy has a positive path to Investment Behaviour (β = 0.262). Direct paths from Content Quality and Finfluencer Credibility to Investment Behaviour are also positive, while Herding Behaviour and Engagement Frequency have smaller positive paths. The complete SmartPLS model is shown in Figure 1.

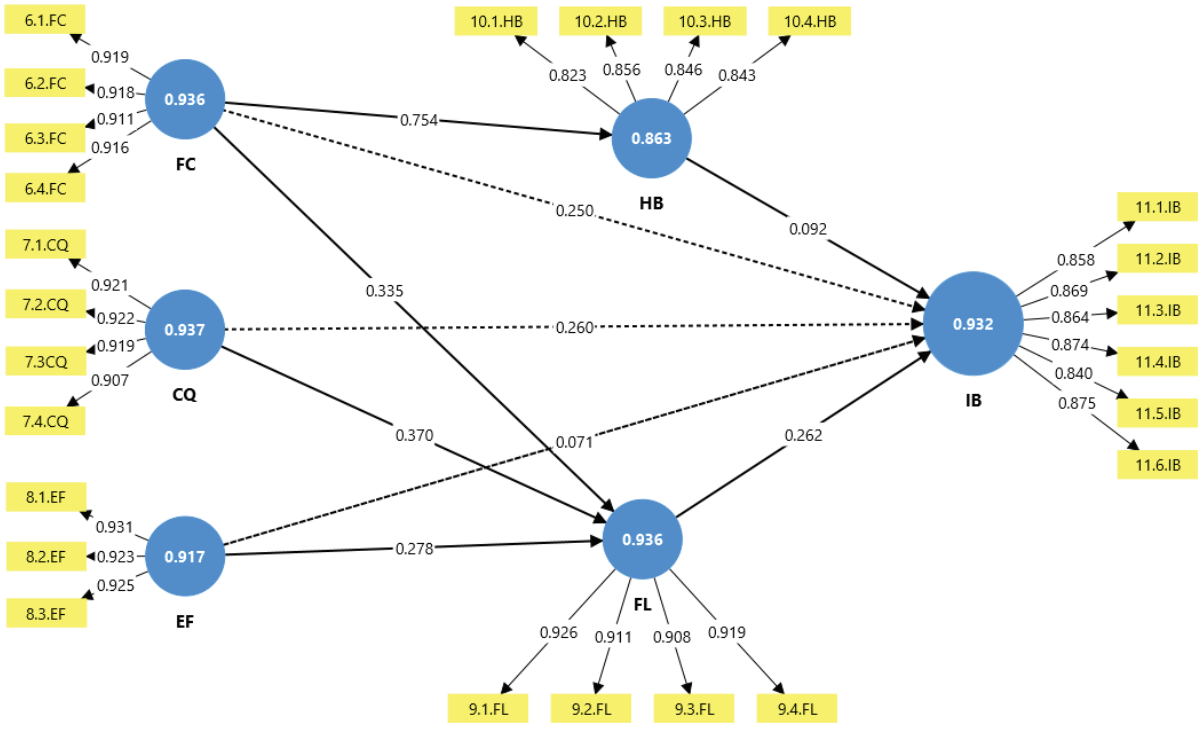


Figure 1: SmartPLS PLS-SEM model: outer loadings on indicator arrows, path coefficients on construct arrows (dashed lines show direct effects on Investment Behaviour)

Table 15: Coefficient of determination (R^2) of endogenous constructs

Endogenous construct	R^2
Financial Literacy	0.923
Herding Behaviour	0.568
Investment Behaviour	0.807

The R^2 values indicate substantial explanatory power in the reported PLS-SEM model. In particular, the model explains more than four-fifths of the variance in Financial Literacy and Investment Behaviour.

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10. Discussion, Contribution and Implications

10.1 Discussion

The findings show that Gen Z respondents generally perceive Instagram financial influencers positively. Credibility, content quality and repeated exposure are associated with stronger financial literacy. This supports the view that social media can function as an accessible financial-learning environment when information is perceived as useful and trustworthy.

At the same time, the strong relationship between credibility and herding behaviour highlights an important behavioural tension. Trust can improve the acceptance of educational information, but it can also increase the tendency to follow popular recommendations. The findings therefore connect rational financial learning with behavioural finance: the same source characteristics that increase confidence may also increase social imitation.

Content Quality emerges as particularly important. It has the strongest direct effect on Investment Behaviour in the conventional regression and the strongest effect on Financial Literacy in the PLS-SEM model. This suggests that relevance, clarity, accuracy, sufficiency and accessibility may be more consequential than engagement alone.

10.2 Contribution of the Study

- The study provides Bengaluru-specific empirical evidence on Instagram finfluencers and Gen Z.
- It integrates Finfluencer Credibility, Content Quality and Engagement Frequency in a single framework.
- It simultaneously examines Financial Literacy and Herding Behaviour as mechanisms related to Investment Behaviour.
- It combines conventional statistical analysis with PLS-SEM for a more comprehensive assessment.
- It highlights the dual role of influencer credibility as a potential educational benefit and behavioural risk.

10.3 Practical Implications

- Gen Z investors should evaluate financial information independently rather than relying solely on influencer popularity or trust.
- Financial educators and institutions can use social-media formats to improve accessibility of financial education.
- Finfluencers should prioritise accurate, clear and sufficiently detailed content and communicate risks responsibly.
- Investor-protection initiatives can emphasise disclosure awareness, sponsorships, conflicts of interest and critical evaluation of online financial advice.
- Digital financial literacy programmes can incorporate behavioural biases such as herding, FOMO and overconfidence.

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11. Conclusion, Limitations and Future Research

11.1 Conclusion

The study concludes that Instagram financial influencers have a significant role in shaping financial literacy and investment behaviour among Gen Z in Bengaluru. The influence is associated with perceived credibility, content quality and engagement frequency and operates through both financial learning and behavioural imitation. Financial Literacy and Herding Behaviour are strongly related to Investment Behaviour, while PLS-SEM indicates significant indirect effects through these constructs. The findings suggest that Instagram can be a useful channel for financial education, but influencer trust and popularity should not replace independent financial evaluation.

11.2 Limitations

- The study is limited to 385 respondents and may not represent every Gen Z investor in Bengaluru.
- The cross-sectional design captures responses at one point in time and cannot establish long-term causation.
- Most variables are self-reported and may be affected by perception and response bias.
- The study focuses only on Instagram and does not analyse YouTube, Telegram, Reddit, X or combined platform effects.
- Investment Behaviour is based on reported behaviour rather than actual portfolio or transaction records.
- Other influencer characteristics such as popularity, sponsorship and emotional communication are not included.
- Regression relationships should not automatically be interpreted as definitive proof of long-term causation.

11.3 Future Research

Future studies may use longitudinal designs, compare Instagram with other platforms, incorporate actual investment records, compare cities and generations, examine regulatory awareness, distinguish registered advisers from unregistered creators, and include behavioural variables such as FOMO, overconfidence, confirmation bias and risk tolerance. Formal bootstrapped mediation or SEM can also strengthen testing of indirect effects.

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