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The Impact of Finfluencers on Investment Decisions: Examining Financial Literacy as a Moderator among Gen Z and Millennials

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Abstract -

Financial influencers (finfluencers) now reach millions of Millennial and Gen Z investors on YouTube, Instagram and Telegram, yet only about 2% of Indian finfluencers are SEBI-registered although roughly a third issue stock recommendations, prompting SEBI's 2025 circular restricting regulated entities from associating with unregistered finfluencers. Prior research has examined finfluencer credibility and behavioural biases such as FOMO, but direct Millennial–Gen Z comparisons are scarce and the moderating role of financial literacy has rarely been tested formally; the novelty of this study lies in testing both within a single, triangulated design. A quantitative, cross-sectional survey of 402 Millennial and Gen Z investors in India who follow at least one finfluencer was analysed using SPSS and SmartPLS 4. Finfluencer characteristics significantly predicted investment decisions ($R^2 = .284$, $p < .001$), driven by Content Type ($\beta = .280$) and Credibility ($\beta = .220$), while Authenticity and Trust were not significant once the others were controlled. None of the means and structural paths differed significantly between the two generations ($p > .05$). Financial literacy was proven to be a strong moderation variable ($\Delta R^2 = .015$, $p = .003$), reducing the effect of finfluencers on the audience. The results have several practical implications for investors and the educational, informational, and regulatory contexts of the finance area.

Keywords: *Finfluencers; Investment Decision-Making; Financial Literacy; Millennials; Gen Z; Social Media; PLS-SEM*

1. INTRODUCTION

Financial advice used to be a niche, credential-intensive activity. For most of the twentieth century, Indian retail investors got their guidance from bank managers, brokers, and planners who provided services to customers who could afford them. The advent of SEBI (Securities and Exchange Board of India) in 1988 and its regulatory authority from 1992 further narrowed access to the credentialed and consequently expensive services of certified financial planners. The situation began to change in 2000 with the introduction of cheaper internet banking and discount-broking services that enabled greater accessibility, albeit at a lower level of trustworthiness.

The last decade has witnessed a dramatic shift towards greater democratization of financial advice. Enabled by cheap smartphones and social media, the rise of the "finfluencer," an unregulated content creator who provides investment advice and analysis to retail investors without charging them fees, has

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changed the way in which people engage with financial services and the capital market. The ubiquity of YouTube, Instagram, Telegram messengers, and X (Twitter) enables a finfluencer to share a tip that can lead to transactions through a discount-broking application within hours. Such a short feedback loop between an investor and an advisor is unprecedented compared to traditional print and TV media.

The rise of the finfluencer has been both spectacular and disconcerting for regulators. According to Business Standard data, less than 2% of finfluencers in India are SEBI-regulated even though 33% of them provide stock-tipping services; SEBI consequently issued a circular in January 2025 prohibiting registered intermediaries and trading platforms from collaborating with unregistered finfluencers (Business Standard, 2025). Similar trends are reported worldwide: according to a study by the CFA Institute and FINRA Investor Education Foundation, a majority of Gen Z investors (ages 18–26) in the US, Canada, UK, and China already participate in the stock market, often starting with cryptocurrencies and influenced by peers and social media, with 40%+ reporting FOMO (fear of missing out) as the key motivator (CFA Institute, 2023).

There is no shortage of research investigating the impact of finfluencers on the behavior of retail investors. Source Credibility Theory posits that trust in the messenger affects the degree of persuasion, which has been demonstrated for Instagram influencers (Akın, 2026). Behavioral finance theories offer an explanation in terms of FOMO, social proof, and investor overconfidence (Agarwal, 2025; Warkar & Durai, 2025). Information Adoption Perspective explains the shift to social media in terms of decreased trust in traditional financial advisors (Kumar & Pandey, 2025). Social Learning Theory is useful in explaining the observed behavioral patterns in terms of observational learning from similar others (Muniasari, 2026). Lastly, the FinQ framework emphasizes the importance of perceived quality of information in terms of expertise, authenticity, and transparency to build trust (Zülch et al., 2026). In terms of financial literacy, it can act as a moderator variable according to financial capability theory: investors with higher levels of financial literacy are more likely to appropriately consider the quality of information provided by finfluencers.

Taken together, these theories help formulate the research questions for this paper. First, in order to understand how social media influences investment behaviors, one needs to investigate the effect of various characteristics of finfluencers, including credibility, authenticity, and trust, on the decisions of millennial and Gen Z investors. Separately, it is important to assess whether these effects are different for the two population groups. Lastly, since financial literacy is conceptualized as a moderator, one should investigate the potential interaction effects of the variables. Section 2 will review and synthesize the relevant literature, Section 3 will describe the methodology, Section 4 will present the results, and Section 5 will discuss the implications, concluding remarks, and recommendations.

2. LITERATURE REVIEW

Recurring themes in finfluencer research since 2023 are the psychological mechanisms (credibility, trust, behavioral bias) by which content influences behavior and the context (regulation, platform format, and generational differences). Methodologically, the studies span quantitative surveys (Akın, 2026; Madan, 2025), conceptual and secondary reviews (Kumar & Pandey, 2025; Philip, 2025; Muniasari, 2026) and bibliometric or taxonomic work (Renuka & Swaminathan, 2025; Wehbe, 2025), reflecting a field still consolidating its empirical base. Table 1 summarises twenty relevant studies from the Indian and international literature.

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Table 1: Summary of Reviewed Literature

Author(s) & Year	Summary of Focus / Findings
Agarwal (2025)	Examined how finfluencers reshape Gen Z investment decisions in India through a Behavioural Finance lens; found FOMO to be a dominant driver of impulsive investment choices.
Aguvaveedi (2025)	A meta-analysis synthesising evidence on how digital content consumption shapes financial decisions and financial well-being across prior studies.
Ahmad, Ishaq, Wasim, and Ishaq (2026)	Explored retail investors' lived experiences with finfluencers and social-media-based investment advice, highlighting trust and information-overload themes.
Akın (2026)	Survey-based study grounded in Source Credibility Theory; found trustworthiness and expertise, not attractiveness, drive Gen Z behavioural intentions toward finfluencers on Instagram.
Ali, Liu, Alomair, Aziz, and Alomair (2026)	Applied Uses and Gratifications Theory to show how social media influencers shape investor judgments and financial investment decisions.
Batool, Hayee, and Abbas (2026)	Investigated how finfluencer opinions and perceived credibility translate into concrete stock investment decisions in digital markets.
Bhatia, Sethi, and Panjwani (2026)	Examined finfluencer advice across distinct behavioural investor clusters and its role in shaping sustainable, ESG-oriented finance decisions.
Bhatti, Abbasi, Kumar, and Mumtaz (2026)	Tested social-media trust as the mechanism linking finfluencer exposure to retail investment choices.
Kumar and Pandey (2025)	Conceptual review adopting an Information Adoption Perspective, arguing accessibility and relatability are shifting investor trust from credentialed advisors to finfluencers.
Madan (2025)	Empirical, SPSS-based analysis of how social media and finfluencer content shape the investment behaviour of young Indian retail investors.
Muniasari (2026)	Literature review grounded in Social Learning Theory, arguing financial behaviours are learned vicariously by observing finfluencers and peers online.
Philip (2025)	Secondary study reviewing financial behaviours in the social media era with a focus on influencer-marketing mechanisms.
Renuka and Swaminathan (2025)	Bibliometric analysis mapping the emerging research field on digital finance, social media, and financial influencers.

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Author(s) & Year	Summary of Focus / Findings
Saridona, Ermawati, and Suprayitno (2026)	Investigated the interplay between digital financial literacy and herding behaviour among young Indonesian investors.
Setthajit and Sompaeng (2025)	Examined media exposure and risk perception as drivers of investment decisions among young investors in Bangkok.
Sunil and Yamuna (2025)	Assessed influencer impact on investment risk perception and decision-making as a distinct social-media factor.
Surabhi and Shivakumar (2026)	Broadly investigated the influence of finfluencers on investor behaviour.
Warkar and Durai (2025)	Extended the behavioural-bias lens to Gen Z investment decisions, examining biases beyond FOMO arising from finfluencer narratives.
Wehbe (2025)	Developed a taxonomy classifying different types of financial content creators, offering a structural vocabulary for finfluencer research.
Zülch, Mölders, and Hoffmann (2026)	Proposed the FinQ framework, arguing finfluencer quality should be judged on expertise, authenticity, and transparency rather than popularity.

Taken together, the literature converges on source credibility (Akın, 2026; Zülch et al., 2026) and behavioural bias (Agarwal, 2025; Warkar & Durai, 2025; Saridona et al., 2026) as the dominant mechanisms, alongside a migration of trust from credentialed advisors to finfluencers (Kumar & Pandey, 2025; Renuka & Swaminathan, 2025) and a regulatory response (SEBI, 2025; Business Standard, 2025). Three gaps persist. First, most studies, such as Akın (2026), Ali et al. (2026) and Setthajit and Sompaeng (2025), examine a single cohort or geography, leaving direct Millennial– Gen Z comparisons scarce. Second, financial literacy is invoked as a protective factor (Saridona et al., 2026; Zülch et al., 2026) but seldom tested as a statistical moderator. Third, studies such as Ahmad et al. (2026) and Bhatti et al. (2026) rely on self-reported intention rather than verified behaviour. This study addresses the first two gaps within a single design combining regression with PLS-SEM.

3. SAMPLE SIZE AND RESEARCH DESIGN

This study adopts a positivist philosophy and a quantitative, cross-sectional design, using a structured, self-administered online questionnaire to capture perceptions of finfluencers, investment decision-making and financial literacy at one point in time. The design suits the study's associative and moderating questions but limits conclusions to association rather than causation.

The target population for this study was the residents of India, belonging to the Millennial (1981- 1996) and Gen Z (1997-2012) age brackets who invest or intend to invest and follow at least one finfluencer on YouTube, Instagram or Telegram, with the respondents residing in Bengaluru. Because this population is effectively unbounded, the Krejcie and Morgan (1970) table was used, which specifies roughly 380–383 respondents at a 95% confidence level and 5% margin of error. The achieved sample of 402 (225 Gen Z, 56.0%; 177 Millennials, 44.0%) exceeds this threshold and suffices for regression and PLS-SEM. Respondents were recruited through an online survey shared on the platforms under study; participation was voluntary and anonymous, informed consent was taken at screening, no identifying data were collected, and only respondents who followed a finfluencer and had invested in the previous twelve months proceeded.

The questionnaire had four parts: a screening section; demographics; Section A, measuring four

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finfluencer characteristics (Credibility, Authenticity, Trust and Content Type; four five-point Likert items each); Section B, measuring Investment Decision-Making (six items); and Section C, measuring Financial Literacy through four objective knowledge questions scored correct or incorrect and four Likert items on financial attitude and confidence. Items were adapted from validated instruments in prior finfluencer and investment-behaviour research.

Finfluencer characteristics were treated as independent variables forming an overall "finfluencer influence" construct, investment decision-making as the dependent variable, financial literacy as the moderator and generation as the grouping variable. Three hypotheses followed from the objectives: H1, finfluencer characteristics significantly influence investment decision-making; H2, this influence differs significantly between generations; and H3, financial literacy significantly moderates the relationship. Analyses used SPSS (regression, t-tests, hierarchical moderated regression) and SmartPLS 4 (PLS-SEM and Multi-Group Analysis).

4. DATA ANALYSIS AND INTERPRETATION

4.1 Measurement validation

Cronbach's α exceeded .70 for every finfluencer-characteristic scale (Credibility .792; Authenticity

.805; Trust .809; Content Type .805). However, exploratory factor analysis of the sixteen items produced two factors rather than the four anticipated (54.8% variance explained; inter-factor correlation .770), and HTMT values ranged from 0.79 to 0.93, indicating that the four characteristics behave as closely related facets of a broader sense of finfluencer trust. This is reported transparently and revisited in Section 5; the characteristics are retained as separate predictors because each is reliable and they behave distinctly in the regression; a single composite would have shown only that finfluencer influence in general shapes decisions, hiding that the effect concentrates in two of the four characteristics, a nuance central to Section 5. Harman's single-factor test across all 26 items showed the first factor explaining 37.8% of variance, below the 50% threshold, so common method bias is unlikely to drive the results. In SmartPLS, every construct met reliability and convergent-validity thresholds (α and composite reliability ≥ .70; AVE ≥ .50) in both Gen Z (n = 225) and Millennial (n = 177) subsamples, with composite reliability of .843–.891 and AVE of .540–.672. The fact that this was found to be the case independently in both subsamples, using a different method of estimation (as used in the SPSS reliability analysis), is an early indirect indicator that the measure behaves consistently across the two generations.

4.2 Descriptive statistics

Table 2 presents the five composite variables (1-5 scale, N = 402), alongside the generational means and tests used in Section 4.4. The values of all variables are slightly higher than the mean of 3.0, suggesting a generally positive attitude towards finfluencer content. Credibility is rated highest (M
= 3.70, SD = .831) and Trust lowest (M = 3.53, SD = .871); Investment Decision averages 3.67 (SD

= .760). The narrow spread of standard deviations (.760-.871) suggests that the sample is homogeneous and that respondents chose to follow finfluencers and to invest as they self-selected into the pool. Thus, the sample consists of 225 Gen Z (56.0%) and 177 Millennial (44.0%) respondents; this is a balanced enough ratio for the generational comparisons in Section 4.4, though it reflects better the social-media saturation of the younger cohort, and is not a quota.

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Table 2: Descriptive Statistics and Generational Comparison (N = 402)

Variable	M (SD)	Gen Z M	Millennial M	t(400)	p	d
Credibility	3.70 (.831)	3.76	3.64	1.479	.140	.149
Authenticity	3.59 (.860)	3.63	3.54	1.084	.279	.109
Trust	3.53 (.871)	3.58	3.48	1.151	.250	.116
Content Type	3.64 (.862)	3.71	3.55	1.910	.057	.192
Investment Decision	3.67 (.760)	3.66	3.68	−.182	.856	−.018

Note. Gen Z n = 225; Millennial n = 177. t, p and Cohen's d refer to independent-samples tests (Gen Z vs Millennial).

4.3 Objective 1: Effect of finfluencer characteristics on investment decision-making

Pearson correlations (Table 3) are all positive and significant ($p < .001$), but predictors correlate more strongly with one another ($r = .63–.75$) than with Investment Decision ($r = .43–.49$), signalling the multicollinearity examined below. Content Type shows the strongest bivariate link to Investment Decision ($r = .492$) and Authenticity the weakest ($r = .432$).

Table 3: Pearson Correlations among Study Variables (N = 402, all p < .001)

Variable	Credibility	Authenticity	Trust	Content Type	Inv. Decision
Credibility	1.000	.721	.629	.631	.460
Authenticity	.721	1.000	.748	.706	.432
Trust	.629	.748	1.000	.713	.441
Content Type	.631	.706	.713	1.000	.492
Investment Decision	.460	.432	.441	.492	1.000

A multiple regression (Table 4) was significant overall, $R^2 = .284$, adjusted $R^2 = .277$, $F(4, 397) = 39.36$, $p < .001$: the four characteristics jointly explain about 28% of the variance in investment decisions. Only Content Type ($\beta = .280$, $p < .001$) and Credibility ($\beta = .220$, $p < .001$) are significant predictors; Authenticity ($\beta = −.003$, $p = .966$) and Trust ($\beta = .106$, $p = .131$) are not, plausibly because their high correlation with the other predictors leaves little unique variance: a respondent who rates a finfluencer as credible and well-produced also tends to rate them as authentic and trustworthy, so once Credibility and Content Type are accounted for, little independent variance remains.

Table 4: Multiple Regression Predicting Investment Decision (N = 402)

Predictor	B	β	t	Sig.
Credibility	.201	.220	3.45	<.001
Authenticity	−.003	−.003	−.04	.966
Trust	.092	.106	1.51	.131
Content Type	.247	.280	4.21	<.001

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SmartPLS estimates by generation (Table 5) provide further evidence: R^2 for Investment Decision was .306 for Gen Z and .290 for Millennials, with Content Type and Credibility once again showing the strongest paths in both groups, nearly identical to the pooled coefficients. Consistency between covariance-based regression analysis and variance-based PLS-SEM analysis bolsters confidence that it is indeed Content Type, and to a lesser extent Credibility, that influence the investment decision in this sample.

Table 5: PLS-SEM Path Coefficients to Investment Decision by Generation, with Multi-Group Analysis

Path	Gen Z β	Millennial β	Difference	Perm. p
Credibility	.206	.226	−.020	.906
Authenticity	.075	−.091	.166	.356
Trust	.076	.142	−.065	.685
Content Type	.278	.314	−.036	.806

Note. R^2 (Investment Decision) = .306 for Gen Z and .290 for Millennials. Perm. p = permutation p-value (5,000 samples).

H1 is thus only partially supported. Credibility follows Source Credibility Theory as expected, but the authenticity turns out to be non-significant in all analyses, as opposed to the emphasis on authenticity in the FinQ framework (Zülch et al., 2026), while the content type, which is not mentioned in H1, appears to be the strongest predictor, indicating that the way in which information is packaged is at least as important as who delivers it. And finally, an R^2 of .284 implies that roughly seven-tenths of the variance lies outside these characteristics, so that finfluencer exposure is one of several inputs, including risk appetite, income and family influence.

4.4 Objective 2: Generational differences between Millennials and Gen Z

Gen Z rated every finfluencer characteristic at least as highly as Millennials, most notably Content Type (3.71 vs 3.55), whereas Investment Decision was virtually identical (3.66 vs 3.68; Table 2). Independent-samples t-tests found no significant difference on any variable (all $p > .05$; Content Type closest at $p = .057$), and every Cohen's d was below the .20 threshold for a small effect (Cohen, 1988). Because Multi-Group Analysis (MGA) compares structural paths, measurement invariance was first established through MICOM (all permutation p-values > .05). A permutation- based MGA with 5,000 samples then found no significant generational difference in any of the four paths (all $p > .35$; Table 5). H2 is therefore not supported at either the mean or the structural level, a null result consistent across five analyses in two statistical traditions. Despite plausible differences between the cohorts in digital fluency and risk appetite, finfluencer influence appears to be a broadly shared response to persuasive financial content rather than a generation-specific one. The small, non-significant tilt toward higher Gen Z ratings of finfluencer characteristics did not translate into different investment decisions, which suggests that attitudes toward finfluencers and decisions about investing are not tightly coupled within either generation.

4.5 Objective 3: Moderating role of financial literacy

A two-step hierarchical regression with mean-centred predictors tested moderation (Table 6). The main effects alone explained 32.3% of the variance in Investment Decision; adding the Finfluencer Influence × Financial Literacy interaction significantly improved the model ($\Delta R^2 = .015$, $p = .003$). In the final model

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both main effects were positive and significant (finfluencer influence β = .490, p < .001; financial literacy β = .223, p < .001), whereas the interaction was negative and significant (β = −.123, p = .003): the link between finfluencer influence and investment decisions weakens as financial literacy rises. Simple slopes at ±1 SD of financial literacy show the slope falling from .61 among low-literacy investors to .38 among high-literacy investors, a 38% reduction consistent with a protective-buffer interpretation and with financial-capability theory. The interaction effect is small ($f^2 \approx .02$), as is typical for interaction terms in behavioural research, but statistically robust and directionally clear; a purely descriptive or correlational analysis would have missed it entirely. H3 is therefore supported.

Table 6: Hierarchical Moderated Regression Predicting Investment Decision (Final Model)

Predictor	B	β	t	Sig.
Finfluencer Influence (centred)	.497	.490	11.94	<.001
Financial Literacy (centred)	.143	.223	5.44	<.001
Interaction (Influence × Literacy)	−.098	−.123	−2.995	.003
Step 1 (main effects): R^2 = .323, adj. R^2 = .320, p < .001. Step 2 (+ interaction): R^2 = .338, adj. R^2 = .333, ΔR^2 = .015, p = .003.				

4.6 Summary of hypothesis testing

Table 7 summarises the hypothesis tests. Specific rather than all finfluencer characteristics shape investment decisions; the influence does not differ by generation; and financial literacy modestly buffers it.

Table 7: Summary of Hypothesis Testing

Hypothesis	Key evidence	Decision
H1: Finfluencer characteristics influence investment decisions	R^2 = .284, p < .001; Credibility and Content Type significant; replicated in SmartPLS	Partially supported
H2: Influence differs by generation	All t-tests p = .057–.856; all d < .20; PLS-MGA all p > .35	Not supported
H3: Financial literacy moderates the relationship	ΔR^2 = .015, p = .003; interaction β = −.123, p = .003	Supported

4.7 Overall pattern across objectives

Across the three objectives a coherent picture emerges. The characteristics that matter are narrower than the four-factor conceptual model anticipated, concentrated in Credibility and, more strongly, Content Type. That narrower effect is stable across Millennials and Gen Z, surviving five independent tests spanning classical and structural-equation-modelling traditions. And the variable that conditions its strength is not generation but financial literacy, exactly the moderator financial- capability theory would predict, albeit with a modest effect size. Efforts to reduce finfluencer- driven investment risk are therefore

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best aimed at content and literacy, meaning format standards and financial education, rather than at generational awareness campaigns.

5. SUGGESTIONS, FINDINGS AND CONCLUSION

5.1 Findings

Four findings emerge. First, finfluencer influence is selective: Content Type and Credibility significantly predict investment decisions in both SPSS and SmartPLS, whereas Authenticity and Trust do not once the others are controlled, suggesting that audiences respond most to how accessible and well-produced content is and secondarily to perceived expertise. Second, the pattern is the same for Millennials and Gen Z, contrary to the common assumption that the cohorts engage with digital financial content differently. Third, financial literacy is a statistically demonstrated, though modest, protective buffer that weakens but does not eliminate finfluencer influence. Fourth, the results give empirical weight to SEBI's (2025) concern about unregistered finfluencers advising young investors.

5.2 Suggestions

For investors, financial literacy was found to be a protective factor against the influence of finfluencers. Therefore, investors should improve their financial literacy and numeracy to reduce the likelihood of being misled by unreliable sources, without entirely dismissing the role of finfluencers. For educationalists and institutions, distributing financial literacy material through the digital channels preferred by finfluencers was recommended. For the platforms, the moderating role of Content type indicated that disclaimers and disclosure requirements for financial information posted should be made dependent on the production qualities, formats and level of interactivity used to deliver the information, since these could independently influence behaviour. For regulators, the study recommends continued emphasis on disclosure requirements as currently being rolled out by SEBI in 2025. Since the study did not find any significant difference in susceptibility across generations, disclosure requirements for finfluencers and the platforms should be targeted at both cohorts rather than focusing on one. Finfluencers can post disclosure information about their credentials and experience, and improve on the structure of their content to build trust with their audience.

Future research can further establish the interaction effect of literacy with other variables in the PLS-SEM model, assess the role of self-reported influence on investment performance using a longitudinal design, examine influence across different social media platforms (Instagram, YouTube, Telegram, X), and replicate the study in different geographical locations.

5.3 Limitations

Due to the cross-sectional design of the study, no causal conclusions can be drawn from the results. The study also relied on self-reported data for investment behaviours and attitudes toward financial literacy**.** The four finfluencer characteristics overlap more than theory predicts (two-factor EFA solution; HTMT of 0.79–0.93). The sample is concentrated in Bengaluru and centred on YouTube, Instagram and Telegram, limiting generalisability, and was recruited online on the platforms studied, so it likely over-represents engaged followers and may understate more passive viewers. Finally, the moderation effect, while significant, is small in absolute terms ($f^2 \approx .02$), a point worth stating plainly rather than overselling.

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5.4 Conclusion

This study examined whether finfluencer characteristics shape the investment decisions of Millennial and Gen Z investors in India, whether that influence differs by generation, and whether financial literacy moderates it. Content Type and, secondarily, Credibility shape decisions for both generations alike; generation is not a significant source of variation; and financial literacy acts as a genuine, if modest, protective buffer. Returning to the paradox of the Introduction, the democratisation of financial information and its behavioural risk appear to be two effects of the same channel, and financial literacy, rather than generational identity, most credibly separates investors who benefit from it from those most exposed to its risks. Through triangulation and the resolution of two gaps in the literature, the paper provides valuable evidence and a recipe for future finfluencer research as regulators take a closer interest.

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