
DIGITAL INFLUENCE AND INVESTOR HARM: RETHINKING FINFLUENCER REGULATION IN INDIA

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"Law must be stable and yet it cannot stand still."

— Roscoe Pound

ABSTRACT

This article explores the emergence of financial influencers (“finfluencers”) in India and assesses if the current Indian securities-law structure sufficiently safeguards retail investors, especially in the high-risk context of equity derivatives and app-based trading. The paper contends that India has progressed past regulatory inaction: SEBI has released consultation documents, circulars, directives on disclosures, public warnings, and enforcement orders regarding unlicensed digital investment advice. However, the current framework continues to be structurally inadequate as it depends significantly on outdated classifications like “investment adviser” and “research analyst,” while current finfluencer behavior is frequently public-facing, multi-platform, compensated, algorithmically enhanced, and referred to as “education.” Employing a doctrinal and policy approach, the article examines the SEBI Act of 1992, the Securities Contracts (Regulation) Act of 1956, the SEBI Investment Advisers Regulations, the SEBI Research Analysts Regulations, the

PFUTP framework, SEBI’s finfluencer circulars and directives, the Information Technology Act of

2000, and comparative resources from the United Kingdom, United States, European Union, and Singapore. It concludes that India ought to implement a functional framework for digital investment impact that safeguards authentic financial literacy while enforcing stricter responsibilities on compensated advice, derivatives materials, performance assertions, affiliate/referral economics, and platform collaboration.

Keywords: Finfluencers; SEBI; retail investor safeguarding; online investment guidance; research analysts; investment consultants; PFUTP; futures and options; platform accountability; securities oversight.

Introduction

Financial impact has always been present in securities markets. For a long time, newspapers, newsletters, broker reports, business television, and informal market circles have influenced investor behavior. What is different in the modern Indian market is not the influence itself, but rather its magnitude, rapidity, monetization, and lack of transparency. One video, reel, live session, or Telegram post can connect with thousands of novice investors in just minutes. The online trading user interface has minimized friction; social media stories have lessened doubt; and financial content has progressively blended with entertainment, aspiration, and trust based on personality. This positions finfluencers as a significant matter for investment law rather than just a cultural interest.

The problem aligns directly with an Investment Law curriculum that includes SEBI, stocks, debentures, mutual funds, derivatives, the Securities Contracts (Regulation) Act, the SEBI Act, insider trading, depositories, DEMAT systems, and online/virtual banking investments. A paper regarding finfluencers thus enables a student to transform a traditional securities-law curriculum into a modern publishable issue: at what point does online financial education cross over into regulated investment advice, research analysis, paid promotion, or market manipulation?

The term “finfluencer” typically describes a content creator on social media who impacts financial or investment choices through channels like YouTube, Instagram, Telegram, X, LinkedIn, podcasts, or blogs. Certain finfluencers offer valuable financial education. Some, however, suggest investments, offer paid trading classes, run private groups, endorse brokerages, share profit images, deliver options techniques, or capitalize on audience trust through affiliate marketing and referral deals. The same account can shift between literacy, promotion, advice, and inducement without explicitly revealing which legal function it is executing.

India's regulatory issues have grown increasingly critical due to the finfluencer landscape overlapping with equity derivatives. SEBI's revised research revealed that 93 percent of retail traders faced losses in equity futures and options from FY 2021-22 to FY 2023-24, with total losses surpassing Rs 1.8 lakh crore over that period. The issue with regulation is not just that unregistered individuals are communicating online. The underlying issue is that highly trusted digital content might be steering cautious or ill-informed households towards complicated

products with a clearly severe loss profile.¹

Simultaneously, the response must not be harsh censorship. A contemporary securities regulator needs to safeguard investors while fostering authentic education, market analysis, research discussions, and public financial understanding. This paper contends that a nuanced legal structure is necessary: influencers shouldn't be regulated solely due to their popularity, but rather because their content, compensation, frequency, product focus, and impact constitute advisory, promotional, or manipulative behavior. The argument is that India's present reaction is significant yet insufficient.

SEBI has acknowledged the issue and initiated enforcement; however, the subsequent phase of legal reform should transition from status-based regulation to function-based regulation of digital investment impact.

Research Questions, Thesis and Methodology

This study revolves around four research inquiries. First, in what way should Indian securities law differentiate between general financial education and investment advice or research recommendations? Secondly, it must be determined if SEBI's current regulatory framework is adequate to manage unregistered digital investment advice and the deceptive actions of influencers. Third, how the data on retail derivatives losses alters the strength of the obligation to protect investors. Fourth, which changes are needed to oversee compensated digital financial influence without dampening genuine financial literacy?

The main argument is that India's influencer reaction is no longer devoid of regulation, yet it still tends to be structurally exclusive. The current structure emphasizes registered intermediaries, investment advisers, and research analysts; however, significant detrimental impact arises from individuals who purport to be educators, traders, mentors, entertainers, or community creators. Regulatory classification should instead focus on function instead of label. When a creator consistently endorses securities, sells strategies, gains economic advantages, asserts profit claims, encourages users to trade, or promotes derivatives without sufficient risk disclosure, the law should classify the activity as regulated securities conduct, regardless of

¹ Securities and Exchange Board of India, "Updated SEBI Study Reveals 93% of Individual Traders Incurred Losses in Equity F&O between FY22 and FY24"

whether the creator labels it as education.

The approach is doctrinal, analytical, and focused on policy. The doctrinal section analyses the SEBI Act, the Securities Contracts (Regulation) Act, SEBI Investment Advisers Regulations, SEBI Research Analysts Regulations, the PFUTP framework, pertinent SEBI circulars and orders, along with the Information Technology Act. The analytical section links these rules to observed data on retail losses and investor actions. The policy section extracts comparative insights from the United Kingdom, United States, European Union, and Singapore. The approach is intentionally aware of its sources: the document primarily utilizes primary statutory and regulatory resources, bolstered by studies from regulators, court rulings, and academic analysis.

Literature Review and Conceptual Framework

The growing body of literature on influencers highlights a consistent legal challenge: online influence doesn't align well with traditional classifications of financial advice. Conventional regulation presumed recognizable advisers, client connections, documented research reports, suitability evaluations, and established intermediaries. Influencer engagement typically encompasses public streams, parasocial relationships, implicit rewards, sponsored learning, referral codes, monetized groups, and achievement assertions. This creates a regulatory grey area where an individual can significantly affect investment choices while sidestepping the look of regulated guidance.

Indian legal research has viewed influencers more as a market-regulation concern than simply a consumer-literacy matter. Research from Indian law reviews has suggested that influencers might employ educational language while providing practical incentives to engage in trading. Global policy efforts similarly underscore conflicts of interest, unreported compensation, and the challenge of differentiating between commentary and recommendations.²³

The conceptual framework of this paper views digital financial content as a continuum instead of a dichotomy. At one end is basic literacy: detailing inflation, budgeting, SIPs, or the concept of dematerialisation without suggesting a transaction. On the other end is straightforward

² International Organization of Securities Commissions, "Influencers" (Final Report, 2025)

³ Shreya Sinha and others, "Regulating Influencers in India: The Need for a Balanced Framework" (2024) NLS Business Law Review

regulated behavior: recommending users to purchase, sell, or maintain specific securities; providing model portfolios; offering compensated intraday or options alerts; or making deceptive assertions of assured profits. Between these extremes exist hybrid formats like "educational" tactics, live market discussions, affiliate-focused content, and community-oriented trading rooms. The majority of regulatory challenges occur in this central area.

A functional test should consequently pose five inquiries. What does the content convey? Is it a recommendation based on general information or linked to a transaction? Who gets it? Is it an open audience, paying subscribers, or a specific group? In what way is it monetized? Does the creator obtain payments, sponsorships, affiliate earnings, or brokerage commissions? Which product is being referenced? Is it a simple literacy subject or a complicated derivative? What is the impact on the market? Does the content encourage users to engage in instant trading, manipulation, or speculative actions? The legal reaction must escalate as content transitions from education to promotion, payment, and trading tied to specific products.

Indian Legal and Regulatory Framework

The legal basis for securities regulation in India is SEBI's mandate to protect investors. Section 11 of the SEBI Act, 1992 assigns SEBI the responsibility of safeguarding the interests of investors in securities while also fostering the growth and regulation of the securities market. This extensive mandate facilitates regulatory action against deceptive, unregistered, or manipulative influencer behavior when it impacts securities markets or the interests of investors.⁴

The Securities Contracts (Regulation) Act, 1956 establishes the wider legal framework for recognized stock exchanges and securities contracts, which encompasses derivatives trading. This is important as numerous influencer disputes are associated not just with long-term investments but also with short-term securities agreements, intraday trading, and F&O tactics. The closer the content is to securities contracts and derivatives, the more compelling the argument for SEBI oversight.⁵

The SEBI (Investment Advisers) Regulations, 2013 oversee individuals who offer investment

⁴ Securities and Exchange Board of India Act 1992, s 11; India Code, "The Securities and Exchange Board of India Act, 1992"

⁵ Securities Contracts (Regulation) Act 1956; India Code, "The Securities Contracts (Regulation) Act, 1956"

guidance for compensation. Their significance to influencers is clear: numerous creators specify they are not advisers while promoting courses, subscription groups, model strategies, or tailored guidance. The legal issue isn't about the creator labelling the content as "advice," but rather if the activity objectively fits within the regulatory concept of advising concerning securities or investment products for financial gain.⁶

The SEBI (Research Analysts) Regulations, 2014 hold significant importance as well. A influencer who shares specific recommendations on securities, analyses stocks, sets target prices, or outlines trading strategies might resemble a research analyst more than a general educator. SEBI's own documents acknowledge that research communications through public media can be subject to regulation, and "public media" inherently encompasses online and social media platforms. This undermines the usual argument that social-media posting falls outside regulatory boundaries simply because it is informal or publicly accessible.⁷

The PFUTP framework delivers the anti-fraud and market-integrity component. When influencer content contains misleading profit assertions, undisclosed conflicts of interest, planted details, manipulative exaggeration, pump-and-dump tactics, or deceptive failure to disclose compensation, the concern extends beyond mere registration. It turns into a deceptive or inequitable practice in the securities market. In these situations, SEBI may present the violation as an issue of regulatory status as well as a matter of market integrity.

SEBI's immediate policy action commenced with the consultation paper from August 2023 regarding the connection of registered intermediaries and regulated entities with unregistered entities, such as influencers. The worry was that unregistered individuals might exploit the credibility, information, or business connections of regulated organizations while avoiding regulatory oversight. SEBI subsequently released its circular regarding the affiliation of regulated entities and their representatives with specific individuals.^{8,9}

In February 2026, SEBI mandated that regulated entities and their representatives reveal their

⁶ Securities and Exchange Board of India (Investment Advisers) Regulations 2013, as amended; SEBI, "Securities and Exchange Board of India (Investment Advisers) Regulations, 2013"

⁷ Securities and Exchange Board of India (Research Analysts) Regulations 2014, as amended; SEBI, "Securities and Exchange Board of India"

⁸ SEBI, "Association of Persons Regulated by the Board and their Agents with Certain Persons" (Circular, 22 October 2024) ⁹ SEBI, "Consultation Paper on Association of SEBI Registered Intermediaries/Regulated Entities with Unregistered Entities (including Influencers)" (25 August 2023)

registered name and registration number on social media. This is a helpful transparency initiative, though it primarily focuses on regulated entities. It does not, on its own, address the larger issue of unregistered creators, hidden advisory brands, affiliate networks, and platform-level promotion.⁹

Legal instrument	Relevance to finfluencer regulation	Regulatory gap
SEBI Act, 1992	Provides investor-protection and market-regulation mandate.	Broad powers require specific digital-content operationalisation.
SCRA, 1956	Covers securities contracts and derivatives-market structure.	Does not directly define social-media recommendation liability.
Investment Advisers Regulations, 2013	Captures investment advice for consideration.	Finfluencers often label paid advice as education or mentorship.
Research Analysts Regulations, 2014	Captures securities recommendations and research in public media.	Applicability to reels, livestreams and group chats needs clearer guidance.
PFUTP Regulations	Targets fraudulent, deceptive and manipulative securitiesmarket conduct.	Requires careful evidence of deception, manipulation or unfairness.
IT Act, 2000 and IT Rules, 2021	Provide intermediary safeharbour and due-diligence rules.	Platform duties for securities promotions remain underdeveloped.

Empirical Case for Regulatory Intervention

A solid publication-quality article mustn't rely solely on doctrinal concerns. It should illustrate the significance of regulating finfluencers in actual market scenarios. The empirical evidence in India is notably robust since SEBI's own documents reveal both the magnitude of derivatives losses and the level of trust in finfluencers.

SEBI's 2024 report on equity F&O losses indicated that 93 percent of individual traders faced

⁹ SEBI, "Ease of Doing Investment (EoDI) - Disclosure of Registered Name and Registration Number by SEBI Regulated Entities and their Agents on Social Media Platforms (SMPs)" (Circular, 6 February 2026)

losses from FY 2021-22 to FY 2023-24, with total losses surpassing Rs 1.8 lakh crore during that timeframe. Reuters, citing the SEBI study, announced the regulator’s conclusion that India’s retail derivatives traders incurred losses of about Rs 1.8 trillion in a span of three years. This is legally significant because it endorses regulation that is sensitive to products. A finfluencer's video on budgeting is not the same as promoting recurring options-buying strategies presented as daily earnings.¹⁰¹¹

SEBI's Investor Survey 2025 incorporates the behavioural aspect. The survey revealed that just a small percentage of Indian households invest in securities-market products, while a significant portion of investors relies on financial influencers or online investment communities for information. The same survey reveals that Indian households continue to be highly focused on preserving capital. This matters because derivatives-focused finfluencer material could be misaligned with the risk tolerance and understanding of numerous retail households.¹³

The regulatory conclusion is prudent yet persuasive. Dependence on finfluencers alone does not establish a cause-and-effect relationship for losses. Nonetheless, the mix of significant trust in informal financial sources, limited penetration of household securities, prevalent app-based trading, and a high incidence of F&O losses establishes a strong foundation for improved investor protection through stricter disclosure, suitability warnings, and enforcement against deceptive promotional practices.

Indicator	Reported position	Legal significance
Individual trader losses in equity F&O	SEBI reported 93% loss incidence over FY22-FY24.	Supports heightened retail-risk warnings and scrutiny of derivatives content.
Aggregate individual losses	More than Rs 1.8 lakh crore over three years.	Shows systemic investor-harm potential rather than isolated mis-selling.

¹⁰ Reuters, “India’s Retail Derivatives Traders Lost 1.8 Trin Rupees in Three Years, Regulator Says” (23 September 2024)

¹¹ SEBI, “Updated SEBI Study Reveals 93% of Individual Traders Incurred Losses in Equity F&O” ¹³ SEBI, “Investor Survey 2025: Main Report” (January 2026)

Investor use of finfluencers	SEBI survey reports significant use of financial influencers as information sources.	Demonstrates that finfluencers are not peripheral actors.
Household risk preference	SEBI survey records strong preference for capital preservation.	Supports argument that leverage-linked promotion may be unsuitable for many users.
Complaint visibility	No clearly disaggregated public category for finfluencer-specific complaints in reviewed sources.	Creates a data-transparency gap for researchers and policymakers.

A significant practical constraint needs to be recognized. Data on public complaints are not detailed enough yet. SCORES is the main system for addressing investor complaints, yet the examined public documents lack a clear public classification for finfluencer-related issues. This document suggests the public disclosure of complaints by category regarding unregistered advice, securities promotion on social media, referral-related content, and misleading claims from platforms.¹²

SEBI Enforcement and Case-Law Analysis

The latest order book from SEBI indicates that the regulator is actively engaged. It has taken action against unregistered advisory firms, operators of Telegram channels, “academy” models, deceptive return assertions, and setups where a registered individual seems to function through an unregistered brand. These issues are significant as they illustrate the shift from formal registration evaluation to a more pragmatic understanding of how investment impact is capitalized on the internet

Matter	Alleged conduct	Analytical relevance
Kabir Financial Services / Sayyed Shujauddin	Unregistered investment advisory activity.	Classic registration enforcement against advisory conduct.

¹² SEBI, “SCORES: SEBI Complaints Redress System”

Commodity Pandit	Advisory activity allegedly conducted through an unregistered brand despite regulated-person involvement.	Shows brand arbitrage and identity mismatch.
Baap of Chart	Unregistered advice and prima facie deceptive/misleading conduct.	Useful for linking advisory violations with PFUTP-type concerns.
Arun N, Research Analyst	Misleading performance claims and conduct issues.	Shows regulation of claims made by registered market professionals.
Intraday Jackpot / Professional Day Trading Institute	Unregistered IA/RA activity through Telegram channels.	Current example of channel based enforcement.

SEBI reiterated its stance on unregistered investment-advisory operations in Kabir Financial Services. In cases related to online or channel-based behavior, these principal gains significance as the provider might assert that there is no conventional adviser-client relationship. A more favourable perspective is that a paid public subscription, if adequately focused on recommendations, can continue to serve an advisory role.¹³

The Baap of Chart proceedings are especially beneficial for a publication as they show that SEBI might regard influencer actions as more than just a simple licensing violation when false claims or misleading practices are claimed. The Intraday Jackpot/Professional Day Trading Institute order similarly demonstrates SEBI's worries regarding Telegram-channel activities and the actions of unregistered investment advisers/research analysts.¹⁴¹⁵

The wider legal backing derives from Supreme Court rulings regarding market abuse and unfair trading practices. In SEBI v Kishore R Ajmera, the Court acknowledged that breaches of securities regulations can be established through inferences drawn from behavior, trends, and contextual factors, rather than relying solely on direct evidence. In SEBI v Rakhi Trading Pvt

¹³ SEBI, “Confirmatory Order in the Matter of Unregistered Investment Advisory Activities by Kabir Financial Services Pvt Ltd / Sayyed Shujauddin”

¹⁴ SEBI, “Order in the Matter of Unregistered Investment Advisor/Research Analyst Activities: Telegram Channels Intraday Jackpot, Professional Day Trading Institute, Akshay Kumar and Others”

¹⁵ SEBI, “Order in the Matter of Baap of Chart” (2024)

Ltd and SEBI v Kanaiyalal Baldevbhai Patel, the Court similarly highlighted substance, market integrity, and the importance of evaluating conduct in context. These instances are not finfluencer cases, yet their evidential and purposive reasoning underpins the functional analysis of promoting digital securities.¹⁶¹⁷

The judicial precedent indicates that SEBI does not have to await a creator's admission of manipulation or guidance. If the circumstances reveal repeated calls, paid access, exaggerated return claims, concealed compensation, affiliate rewards, or organized market activity, the law can deduce the actual purpose of the content. This holds doctrinal significance as digital influence frequently functions via coded phrases, disclaimers, and subtle persuasion instead of clear directions.

Comparative Perspectives

Comparative regulation is useful not for mechanical transplantation, but for identifying recurring tools. Mature regulators increasingly focus on functional triggers, disclosure of compensation, unlawful promotion, platform cooperation and consumer warnings. Four jurisdictions are especially useful for India.

Jurisdiction	Regulatory approach	Lesson for India
United Kingdom	FCA has acted against illegal finfluencers and unauthorised financial promotions.	Treat unlawful promotion as a first-order regulatory risk, not merely an education issue.
United States	SEC materials focus on promoter compensation, advertising, testimonials and conflicts.	Mandate clear disclosure of payment, conflicts and performance-claim methodology.
European Union	ESMA warns that socialmedia investment recommendations can trigger market-abuse and recommendation obligations.	Disclaimers should not defeat substance-over-form classification.

¹⁶ Securities and Exchange Board of India v Rakhi Trading Pvt Ltd (2018)

¹⁷ Securities and Exchange Board of India v Kishore R Ajmera (2016) 6 SCC 368.

Singapore	MAS treats online financial advice as regulated if it crosses statutory advice thresholds.	Use licensing triggers along with responsible-content initiatives.
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The Financial Conduct Authority of the United Kingdom has consistently taken action against unlawful finfluencers and unauthorized financial promotions. The UK's method is beneficial as it views influencer marketing as potentially causing genuine financial damage, even when presented in casual social media formats.¹⁸

The strategy of the United States is particularly noteworthy for emphasizing the transparency of compensation and potential conflicts. The SEC's marketing rule documents and the Investor Advisory Committee's suggestions regarding finfluencers stress that social media promotions should clearly disclose who is compensated, by whom, and for what purpose.¹⁹

The European Securities and Markets Authority has alerted investors about investment suggestions on social media, emphasizing that online recommendations might create legal responsibilities even if they are provided informally. ESMA's focus on substance rather than form directly pertains to the Indian "education" defence.²⁰

Singapore's Monetary Authority has also tackled online finfluencers and protections for financialservices platforms, suggesting that content creators offering financial advice might need authorization based on their actions. India's takeaway is that licensing and responsible-content efforts can function together: regulation does not have to exclude education, yet education must not serve as a cover for concealed recommendations.²¹

Core Analysis: Education, Advice, Promotion and Manipulation

The main doctrinal issue lies in the demarcation between financial education and investment guidance. The boundary must not be determined solely by the disclaimer of the creator. A creator might declare "this is not investment advice" while also offering entry points, stop-loss levels, target prices, options tactics, broker connections, and paid access to "premium calls".

¹⁸ Financial Conduct Authority, "FCA Cracks Down on Illegal Finfluencers" (Press Release, 22 October 2024)

¹⁹ US Securities and Exchange Commission, "Investment Adviser Marketing"

²⁰ European Securities and Markets Authority, "Requirements when Posting Investment Recommendations on Social Media"

²¹ Monetary Authority of Singapore, "PQ on Complaints against Online Finfluencers" (2 April 2024)

Under these conditions, the disclaimer must be considered a pertinent yet not definitive factor. The real purpose of the content needs to be managed.

A justifiable Indian test would categorize content as regulated when four elements notably coexist: security-related content, transactional language, economic advantage, and reasonable dependence by investors. Product risk ought to function as an exacerbating element. Therefore, an instructional video clarifying what an option is shouldn't be regarded in the same manner as a constant stream of bank-nifty options calls promoted as daily earnings. The latter is not impartial literacy; it is behavior aimed at affecting trading.

The following concern is remuneration. The contemporary influencer economy seldom relies solely on direct consulting fees. Monetisation can take place via advertising income, sponsorship deals, affiliate marketing, brokerage commissions, course payments, private-channel memberships, revenue-sharing agreements, or collaborations with brands. A strict regulation that only addresses direct advisory fees overlooks these indirect incentives. The association circular from SEBI is significant; however, India needs to progress towards a comprehensive disclosure requirement that encompasses the whole economic relationship.

The third concern claims about performance. Numerous retail investors are drawn in by screenshots, endorsements, selective successful trades, back tested methods, and assertions of "steady income." These assertions are challenging for investors to validate. A robust system should mandate the disclosure of methodologies, prevent deceptive selective presentations, and regard unverifiable promises of guaranteed returns as fundamentally dubious. For derivatives content, such assertions should undergo more rigorous examination as leverage amplifies losses and SEBI's own statistics reveal a significant occurrence of retail losses.²²

The fourth concern is the accountability of the platform. Section 79 of the Information Technology Act offers conditional safe harbour to intermediaries, while the IT Rules establish due-diligence responsibilities. The issue isn't that platforms ought to take on the role of main securities regulators. Instead, platforms ought to establish explicit cooperation responsibilities: validating advertisers, maintaining records of paid promotions, swiftly responding to SEBI

²² Information Technology Act 2000, s 79; India Code, "The Information Technology Act, 2000"

notices, tracking sponsored financial content, and issuing regular transparency reports²³

Reform Recommendations

Initially, SEBI needs to implement a practical definition of regulated digital investment impact. The assessment must address communications that, when assessed objectively, are fairly likely to prompt securities transactions and are associated with compensation, routine recommendation actions, paid community access, affiliate income, or security-specific strategy materials. This would maintain true literacy while incorporating hidden advisory firms into the regulatory framework.

Secondly, India ought to implement content guardrails specifically for derivatives. Content regarding F&O intended for the public must include standardized risk warnings, and platforms must mandate noticeable disclaimers for advertised derivatives material. Terms like “sure-shot profit,” “daily income,” “guaranteed strategy,” or “zero-loss option method” should be considered presumptively actionable when used in securities-related promotions.

Third, SEBI ought to mandate disclosure of compensation across the entire chain. The requirement must encompass creators, registered organizations, brokers, research analysts, investment consultants, referral partners, marketing firms, and platform advertisers. Investors ought to discern if the content is independent, sponsored, affiliate-linked, referral-driven, aimed at client acquisition, or part of a paid advisory process.

Fourth, SEBI needs to release data on complaints and enforcement specific to finfluencers. At a minimum, yearly reports must reveal grievances related to unregistered investment guidance, social media promotion of securities, Telegram/WhatsApp groups, deceptive performance assertions, digital content linked to derivatives, and platform recommendations. Enhanced data would strengthen research, decision-making, and investor understanding.

Fifth, collaboration among platforms ought to be formalized. SEBI might establish a protocol for securities promotion notices that mandates platforms to have contact points for India, respond to regulatory notices, verify advertisers under regulation, maintain records of sponsored content, and identify frequent offenders. This can be structured in alignment with

²³ SEBI, “Caution to Public against Fraudulent/Manipulative Activities on Social Media Platforms Related to Securities Market”

intermediary safe harbour as it would not require universal pre-screening of all content.

Sixth, SEBI needs to elucidate the “education” defence. A secure environment can be established for authentic educational material that steers clear of security-specific advice, incentive-driven compensation, target pricing, entry/exit suggestions, and compensated trading groups. This would safeguard educators while stopping the abuse of educational labels as regulatory cover.

Seventh, regulated entities must encounter strict liability for connections with unregistered finfluencers when they offer money, data, referral agreements, branding, platform exposure, or nonmonetary advantages that facilitate unlawful advice or deceptive promotion. This would stop regulated entities from delegating persuasion to creators who are legally distant.

Reform area	Proposed rule	Expected benefit
Functional trigger	Regulate content by substance: recommendation, inducement, compensation and product risk.	Reduces misuse of “education” labels.
Derivatives content	Mandatory risk warnings and restrictions on profit/guarantee claims.	Addresses high-loss F&O environment.
Compensation disclosure	Reveal sponsorship, affiliates, referral payments and course/subscription economics.	Improves investor awareness of conflicts.
Platform protocol	Notice, takedown, advertiser verification and audit trail for paid financial content.	Creates workable enforcement interface.
Complaint data	Publish influencer-specific complaint categories.	Improves research and accountability.
Education safe harbour	Protect neutral literacy with no security-specific inducement or hidden benefit.	Prevents over-regulation of genuine education.

Conclusion

Finfluencers are not intrinsically damaging. Numerous creators break down intricate financial ideas and can aid in promoting financial inclusion. The legal issue occurs when education transitions into advice, advice turns into promotion, promotion becomes deceptive, and deceptive promotion entices retail investors into intricate securities products lacking sufficient disclosure or responsibility. Indian securities law must thus steer clear of two extremes: excessive regulation that hinders financial education, and insufficient regulation that enables hidden advisory firms to exploit investor weaknesses.

The present Indian reaction is encouraging. SEBI has identified the finfluencer issue, released consultation documents and circulars, alerted the public, limited connections between regulated entities and unregistered individuals, mandated social-media registration disclosures, and taken action against unregistered advisory and channel-based activities. However, the framework still requires more clarity regarding functional triggers, platform responsibilities, derivatives-related content, compensation transparency, and data openness.

The main conclusion of this paper is that India ought to focus on regulating the role of the finfluencer rather than their personal traits. Content that is neutral in literacy should stay unrestricted. Content that is compensated, security-focused, transaction-generating, performance oriented, derivatives-related, or misleading must be governed by a mix of adviser/research-analyst regulations, PFUTP enforcement, disclosure requirements, and collaboration among platforms. A calibrated framework like this would synchronize SEBI's investor-protection role with the actual conditions of digital market engagement.