



IMPACT OF SOCIAL MEDIA FINANCIAL INFLUENCERS ON INVESTMENT CHOICES

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ABSTRACT

The increasing use of social media has led to the emergence of financial influencers (finfluencers) as important sources of investment information for retail investors. This study examines the influence of perceived credibility, attractiveness, content quality, and engagement on investor trust and investment behaviour among retail investors in Karnataka using an Extended Source Credibility Theory (SCT) framework. A quantitative cross-sectional survey was conducted with 392 retail investors, and the data were analysed using Structural Equation Modelling (SEM). The results indicate that engagement is the only finfluencer characteristic that significantly influences investor trust, while investor trust has a significant positive effect on investment behaviour. The study extends Source Credibility Theory by incorporating digital communication characteristics and offers practical implications for finfluencers, financial institutions, and regulators in promoting credible and responsible financial communication.

KEYWORDS: Source Credibility Theory, Finfluencers, Investor Trust, Investment Behaviour, Social Media, Retail Investors, Digital Financial Communication, Structural Equation Modelling.

1. INTRODUCTION

The rapid proliferation of social media platforms such as YouTube, Instagram, X (formerly Twitter), and Telegram has transformed the way retail investors access, interpret, and utilize financial information for investment decision-making. Unlike traditional financial advisory channels, these platforms enable the instantaneous dissemination of investment-related content to a broad audience, fostering greater participation in financial markets. Within this evolving digital ecosystem, social media financial influencers, commonly known as *finfluencers*, have emerged as influential opinion leaders who simplify complex financial concepts, provide stock recommendations, review investment products, and share market insights with millions of followers. Their growing popularity is particularly evident among young and first-time investors who often seek accessible and relatable sources of financial guidance.

The rise of finfluencers has significantly democratized access to financial information by reducing investors' dependence on conventional intermediaries such as financial advisors, brokerage firms, and banking institutions. While this increased accessibility has enhanced financial awareness and participation, it has also introduced new challenges. The quality, reliability, and objectivity of financial content shared by finfluencers vary considerably, with many operating outside formal regulatory oversight. Hidden sponsorships, undisclosed commercial partnerships, conflicts of interest, and promotional content disguised as independent financial advice may compromise the credibility of the information presented and potentially mislead investors.

In digital financial communication, the influence of finfluencers extends beyond the information they provide. Their effectiveness largely depends on how investors perceive their credibility, expertise, attractiveness, communication style, and interactions with followers. Investors often develop trust in

finfluencers based on these characteristics, making them more receptive to investment recommendations without conducting independent evaluation of associated risks. Moreover, social media algorithms amplify highly engaging and emotionally appealing content, increasing its visibility and reinforcing behavioural tendencies such as herding behaviour, fear of missing out (FOMO), overconfidence, and confirmation bias, all of which can significantly influence investment decisions.

The present study draws upon **Source Credibility Theory (SCT)** to explain how the characteristics of finfluencers influence investor behaviour. Source Credibility Theory posits that the persuasiveness of a communication source depends primarily on the audience's perception of the source's expertise, trustworthiness, and attractiveness. In the context of financial social media, these credibility dimensions, together with the quality of financial content and the level of audience engagement, play a critical role in shaping investor trust. When retail investors perceive finfluencers as knowledgeable, reliable, relatable, and capable of providing valuable financial information, they are more likely to trust their recommendations and incorporate them into their investment decisions.

Although research on finfluencers has expanded rapidly in recent years, empirical evidence examining the mechanisms through which finfluencer characteristics influence investor trust and actual investment behaviour remains limited, particularly in the Indian context. Most existing studies focus either on social media usage or general investor behaviour, with relatively little attention devoted to finfluencers as a distinct category of digital financial opinion leaders. Addressing this gap, the present study empirically investigates the influence of perceived credibility, attractiveness, content quality, and engagement on investor trust and investment behaviour among retail investors in Karnataka using **Source Credibility Theory** as its theoretical foundation. The findings are expected to



contribute to the growing literature on digital financial communication while offering practical implications for investors, financial educators, regulators, and policymakers seeking to promote responsible financial communication in the rapidly evolving finfluencer ecosystem.

2. LITERATURE REVIEW

Research on the influence of social media influencers has grown substantially over the past decade, drawing insights from behavioural finance, consumer psychology, digital marketing, and information systems. Within this evolving landscape, financial influencers (finfluencers) have emerged as influential digital opinion leaders who simplify complex financial concepts, disseminate investment-related information, and shape the investment decisions of retail investors. By bridging the gap between traditional financial advisors and retail investors, finfluencers make financial knowledge more accessible through engaging and relatable content, particularly for young and novice investors (CFA Institute Research Foundation, 2024).

A prominent theoretical perspective explaining the influence of finfluencers is Source Credibility Theory (SCT), which posits that the persuasiveness of a communication source depends primarily on the audience's perception of the source's expertise, trustworthiness, and attractiveness. When individuals perceive a communicator as knowledgeable, reliable, and relatable, they are more likely to trust the information provided and incorporate it into their decision-making process. In the context of financial social media, these credibility dimensions play a crucial role in determining whether investors rely on finfluencer recommendations while making investment decisions.

Supporting this perspective, Sharma and Gupta (2025) found that perceived authenticity and trust in finfluencers significantly enhance the investment intentions of Generation Z investors, with authenticity exerting an even stronger influence than formal financial expertise. Similarly, Lalwani et al. (2025) reported that investors are more likely to act upon financial recommendations when finfluencers demonstrate a consistent record of successful investment guidance, highlighting the importance of perceived credibility in building investor confidence.

Beyond credibility, the quality of financial information and the level of interaction between finfluencers and their audiences have emerged as important determinants of investor behaviour. High-quality financial content that is accurate, relevant, timely, and easy to understand enhances investors' confidence in the information source, while active engagement through comments, discussions, live sessions, and prompt responses strengthens relationships between finfluencers and their followers. Chandani et al. (2025) observed that investors are more willing to rely on finfluencer recommendations when they perceive the shared content as useful and valuable, indicating that the effectiveness of digital financial communication extends beyond the personal characteristics of the influencer.

Behavioural finance literature further suggests that social media significantly amplifies cognitive biases among retail investors. Singh and Gupta (2025) found that visually appealing financial content and urgency-based messaging by

finfluencers trigger Fear of Missing Out (FOMO), increasing investors' willingness to undertake high-risk investments. Likewise, Venkataraman and Joshi (2024) reported that a considerable proportion of retail investors had made at least one investment decision directly influenced by finfluencer recommendations, demonstrating the growing influence of digital financial opinion leaders on investment behaviour.

Several studies have also examined investor-specific characteristics that may influence susceptibility to finfluencer recommendations. Lee and Park (2025) reported that investors with higher levels of financial literacy exhibit more systematic investment behaviour and critically evaluate financial information despite extensive social media usage. Similarly, Sari and Putra (2023) found that digital literacy and social media literacy weaken the direct relationship between finfluencer credibility and investment intention, suggesting that financially informed investors are better equipped to assess the reliability of online financial content before acting upon it.

From a regulatory perspective, the rapid growth of finfluencer-driven financial communication has raised significant concerns regarding investor protection. The IOSCO Finfluencers Final Report (2024) highlights risks such as misleading financial promotions, market manipulation, conflicts of interest, and inadequate disclosure of sponsored content. The report recommends mandatory disclosure requirements, enhanced transparency, and investor education initiatives to improve the credibility of online financial communication and reduce the potential for investor harm.

Overall, the existing literature demonstrates that source credibility, content quality, audience engagement, and investor trust are fundamental determinants of finfluencer effectiveness. However, empirical studies integrating these factors within a unified framework to explain investment behaviour remain limited, particularly in emerging markets such as India. This study addresses this gap by employing Source Credibility Theory to examine how perceived credibility, attractiveness, content quality, and engagement influence investor trust and, subsequently, investment behaviour among retail investors in Karnataka.

2.1 Research Gap

Despite the growing body of literature on finfluencers and their role in shaping retail investment decisions, several important research gaps remain.

First, existing studies primarily examine the broader influence of social media platforms or online financial communities on investor behaviour, with relatively limited attention given to finfluencers as a distinct category of digital financial opinion leaders. Consequently, the unique characteristics of finfluencers that drive investor decision-making remain insufficiently understood.

Second, while previous research has explored individual determinants such as credibility, expertise, or trust, few studies have examined the combined influence of perceived credibility, attractiveness, content quality, and engagement on investor trust and subsequent investment behaviour within a single conceptual framework. Understanding these factors collectively is essential, as investors evaluate multiple source characteristics simultaneously before acting on financial recommendations.



Third, although investor-related factors such as financial literacy, risk tolerance, and cognitive biases have been recognized as important influences on investment decisions, they have rarely been examined alongside finfluencer characteristics in an integrated empirical model. This limits a comprehensive understanding of how source characteristics interact with investor psychology to influence investment behaviour.

Finally, most empirical evidence on finfluencer influence originates from developed economies such as North America, Europe, and East Asia. Research conducted in emerging markets, particularly within the Indian context, remains limited despite the rapid growth of social media usage and retail investor participation in financial markets. Furthermore, studies focusing specifically on retail investors in Karnataka are scarce.

To address these gaps, the present study applies Source Credibility Theory (SCT) to examine how perceived credibility, attractiveness, content quality, and engagement influence investor trust, which subsequently affects investment behaviour among retail investors in Karnataka. By empirically validating these relationships, the study contributes to the literature on digital financial communication, investor behaviour, and finfluencer effectiveness in emerging markets.

3. OBJECTIVES OF THE STUDY

1. To examine the influence of perceived credibility, attractiveness, content quality, and engagement on investor trust.
2. To assess the impact of investor trust on investment behaviour.
3. To examine the mediating role of investor trust between finfluencer characteristics and investment behaviour.

4. HYPOTHESES

Based on **Source Credibility Theory (SCT)** and the literature review, the following hypotheses were formulated:

H1: Perceived credibility of finfluencers positively and significantly influences investor trust.

H2: Attractiveness of finfluencers positively and significantly influences investor trust.

H3: Content quality of finfluencers positively and significantly influences investor trust.

H4: Engagement of finfluencers positively and significantly influences investor trust.

H5: Investor trust positively and significantly influences investment behaviour.

5. RESEARCH METHODOLOGY

5.1 Research Design

A quantitative descriptive research design employing a cross-sectional survey approach was adopted for this study. Data were collected from respondents at a single point in time to examine the relationships among the study variables. This research design enables the empirical testing of the proposed hypotheses using statistical techniques and facilitates the generalization of the findings to the target population of retail investors.

5.2 Data Collection

Data were collected through a structured questionnaire administered online using Google Forms. The questionnaire comprised four sections: (i) screening questions to identify respondents who followed finfluencers and had recent investment experience, (ii) demographic and investment profile information, (iii) statements measuring the study constructs using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), and (iv) items assessing respondents' investment behaviour. A total of 392 valid responses were obtained from retail investors residing in Karnataka and were considered for data analysis.

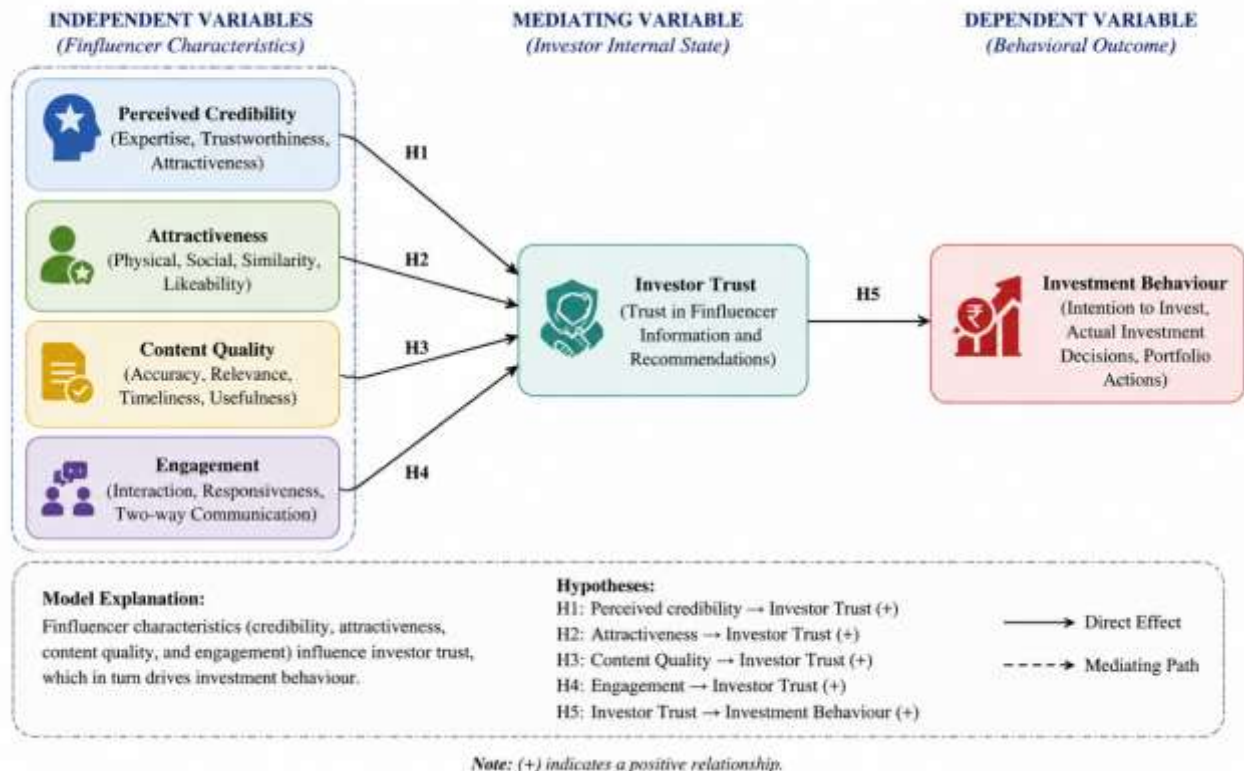
5.3 Sampling

A non-probability purposive sampling technique was employed to select respondents who satisfied the predefined eligibility criteria. Participants were required to be 18 years of age or older, actively use social media platforms, and follow at least one financial influencer. The survey link was distributed through WhatsApp and Instagram to reach the target population. Data collection continued until the desired sample size of 392 valid responses was achieved.

5.4 Variables of the Study and Conceptual Model

Variable Type	Construct	Role in the Framework
Independent Variables	Perceived Credibility, Attractiveness, Content Quality, Engagement	Finfluencer characteristics
Mediating Variable	Investor Trust	Mediates the relationship between finfluencer characteristics and investment behaviour
Dependent Variable	Investment Behaviour	Investor's investment decision and actions

Source Credibility Theory (SCT) Model



Theoretical Model- Source Credibility Theory (SCT)

The present study is grounded in Source Credibility Theory (SCT), which posits that the effectiveness of a communication source depends on the audience's perception of the source's credibility. Traditionally, the theory identifies expertise, trustworthiness, and attractiveness as the primary dimensions that determine the persuasiveness of a communicator. In the context of financial social media, these characteristics influence the extent to which retail investors trust and rely on information shared by finfluencers.

Recognizing the evolving nature of digital communication, this study adopts an extended Source Credibility Theory framework by incorporating content quality and engagement as additional source characteristics. While these constructs are not part of the original SCT model, recent research on social media influencers suggests that investors evaluate not only the credibility and attractiveness of the communicator but also the relevance, accuracy, usefulness, and timeliness of the content, along with the level of interaction and responsiveness demonstrated by the influencer. These factors play a significant role in shaping perceptions of credibility and strengthening investor trust in online financial environments.

Accordingly, the proposed theoretical model considers perceived credibility, attractiveness, content quality, and engagement as the key characteristics of finfluencers that influence investor trust. Investor trust is conceptualized as the central mediating mechanism through which these source characteristics affect investment behaviour. The model proposes that retail investors who perceive finfluencers as

credible, attractive, informative, and actively engaged are more likely to develop trust in their financial recommendations, thereby increasing the likelihood of acting upon those recommendations while making investment decisions.

By extending the traditional Source Credibility Theory to incorporate characteristics specific to digital financial communication, the proposed model provides a comprehensive framework for explaining how finfluencer attributes influence investor trust and investment behaviour among retail investors in Karnataka.

5.5 Tools of Analysis

- Reliability Analysis (Cronbachs Alpha) to determine internal consistency of scale items.
- Mean, Median and Standard Deviation of all constructs.
- Shapiro-Wilk Normality Test to determine the distribution of data
- Spearman Rank Correlation to test constructive correlations.
- Simple and Multiple Regression Analysis: to test hypotheses.
- There is Mann-Whitney U Test and Kruskal-Wallis Test to compare groups.
- Structural Equation Modelling (SEM) for simultaneous testing of multiple relationships between observed variables.



6. DATA ANALYSIS AND INTERPRETATION

6.1 Demographic Profile

Variable	Category	Frequency	Percent (%)
Gender	Female	199	50.8%
	Male	186	47.4%
	Prefer not to say	7	1.8%
	Total	392	100%

Variable	Category	Frequency	Percent (%)
Age	18-24 years	134	34.2%
	25-30 years	158	40.3%
	31-40 years	72	18.4%
	Above 40 years	28	7.1%
	Total	392	100%

Variable	Category	Frequency	Percent (%)
Education	Undergraduate	148	37.8%
	Postgraduate	189	48.2%
	Professional Degree	41	10.5%
	Other	14	3.5%
	Total	392	100%

Variable	Category	Frequency	Percent (%)
Investing Experience	Less than 1 year	87	22.2%
	1-3 years	156	39.8%
	3-5 years	93	23.7%
	Above 5 years	56	14.3%
	Total	392	100%

Interpretation: The population characteristic shows a young and educated sample. The highest percentage is 2530 years (40.3), then 18 24 years (34.2) that is in line with the study design of social media active retail investors. Most of them are postgraduates (48.2%), with the most frequent investing experience range being 1-3 years (39.8%). The ratio of gender is generally even, with a small woman majority (50.8%).

6.2 Reliability Analysis (Cronbach's Alpha)

6.2.1 Construct level reliability

The internal consistency of each construct was assessed using Cronbach's Alpha. The reliability coefficients are presented below.

Construct	Cronbach's Alpha	Status
Perceived Credibility & Expertise	0.881	Good
Attractiveness / Relatability	0.874	Good
Content Quality	0.856	Good
Engagement / Persuasive Power	0.851	Good
Financial Literacy	0.674	Acceptable
Financial Self-Efficacy	0.715	Good
Trust Formation	0.700	Good
Perceived Financial Risk	0.626	Acceptable
Herding Behaviour	0.685	Acceptable
Overconfidence Bias	0.772	Good
Loss Aversion	0.670	Acceptable
Confirmation Bias	0.606	Acceptable
Actual Investment Behaviour	0.726	Good

Interpretation: The reliability test shows that there is good to excellent internal consistency in most of the constructs. The highest Cronbachs Alpha was obtained on Perceived Credibility & Expertise (0.881), Attractiveness/Relatability (0.874), and Content Quality (0.856). Constructs having alpha values of 0.60 to 0.70 are said to be acceptable in research. The alpha of all the

key constructs employed in the hypothesis testing was at least 0.70, which justified the reliability of the measurement scales.



6.2.2 Overall Reliability of the Instrument: In addition to construct-level reliability, the overall Cronbach's Alpha was

computed for the entire measurement instrument combining all 53 items across 18 constructs.

Measure	Value	Status
Total Number of Items	53	
Total Valid Responses	389	
Overall Cronbach's Alpha	0.956	✓ Excellent

Interpretation: The Cronbachs Alpha of 0.956 is a total value that shows a high degree of internal consistency of the whole measure. This is more than the mark of 0.90, which is regarded as an exceptional level of reliability in social science research. This outcome validates that the 53 items in the 18 constructs of

the questionnaire are very consistent and reliably measure the constructs intended. The overall reliability of 0.956 gives a high level of confidence that the measurement tool employed in this study is of good quality and consistent.

6.3 Descriptive Statistics

Construct	Mean	Median	Std Dev	Min	Max
Credibility	4.21	4.50	0.712	1.00	5.00
Attractiveness	4.03	4.00	0.731	1.00	5.00
Content Quality	4.18	4.50	0.698	1.00	5.00
Engagement	3.87	4.00	0.814	1.00	5.00
Financial Literacy	3.94	4.00	0.689	1.00	5.00
Financial Self-Efficacy	3.88	4.00	0.701	1.00	5.00
Trust	3.96	4.00	0.748	1.00	5.00
Perceived Risk	3.72	4.00	0.832	1.00	5.00
Herding Behaviour	3.54	3.50	0.876	1.00	5.00
Overconfidence	3.41	3.50	0.897	1.00	5.00
Loss Aversion	3.78	4.00	0.821	1.00	5.00
Confirmation Bias	3.61	3.75	0.841	1.00	5.00
Investment Behaviour	4.48	4.75	0.703	1.00	5.00

Interpretation: The mean scores of all constructs above the neutral midpoint of 3.0 mean that all respondents had positive orientations overall. The mean of Investment Behaviour was the highest (4.48) indicating that the content of finfluencers has had a significant impact on the real investment behaviors of participants. The highest rating was achieved on the variable of Credibility (4.21) and Content Quality (4.18) which states that the followers of the finfluencers view the latter as credible and high-quality information sources. The least prevalent levels of overconfidence bias were observed in the case of overconfidence which had the lowest mean (3.41).

6.4 Normality test (Shapiro-Wilk)

Prior to selecting the appropriate statistical tests, the normality of all construct scores was assessed using the Shapiro-Wilk test. The Shapiro-Wilk test was selected because it is considered the most powerful and accurate normality test for sample sizes below 2000, and is widely accepted as the gold standard in social science research. With a sample size of 392 respondents, this test is most appropriate for the present study.

Construct	Statistic	p-value	Result
Credibility	0.700	0.000	Not Normal
Attractiveness	0.712	0.000	Not Normal
Content Quality	0.753	0.000	Not Normal
Engagement	0.697	0.000	Not Normal
Financial Literacy	0.751	0.000	Not Normal
Financial Self-Efficacy	0.733	0.000	Not Normal
Trust	0.690	0.000	Not Normal
Herding Behaviour	0.677	0.000	Not Normal
Overconfidence Bias	0.664	0.000	Not Normal
Loss Aversion	0.717	0.000	Not Normal
Confirmation Bias	0.741	0.000	Not Normal
Investment Behaviour	0.684	0.000	Not Normal

Interpretation: The Shapiro-Wilk test results indicate that all construct scores deviate significantly from normal distribution ($p < 0.05$ for all constructs). This outcome is expected and very common with Likert scale data, as responses on a 1-5 scale are

ordinal in nature and rarely follow a perfect bell curve distribution.

Based on these results, non-parametric statistical tests were selected for all subsequent analyses, as follows:



Non-Parametric Test Used	Purpose
Spearman Rank Correlation	Relationship between constructs
Mann-Whitney U Test	Gender group comparison
Kruskal-Wallis Test	Age, Education, Experience comparison

6.5 Hypothesis Testing

6.5.1 Hypothesis 1: Finfluencer Credibility → Investor Trust

H1 posits that finfluencer credibility positively and significantly influences investor trust. Simple linear regression was used to test this relationship.

Hypothesis	R ²	Adj. R ²	Beta (β)	p-value
H1: Credibility → Trust	0.468	0.467	0.757	0.000

Result: Since $p < 0.001$, H1 is SUPPORTED. Finfluencer credibility significantly and positively predicts investor trust.

Interpretation: Credibility accounts for 46.8% of the variance in investor trust ($R^2 = 0.468$). The beta value of 0.757 shows that there is a strong positive association whereby one unit of increase in perceived finfluencer credibility positively correlates with a one unit increase in investor trust. The discovery aligns with the source credibility theory, as it proves

that expertise, trustworthiness, and attractiveness of finfluencers are important sources of investor trust.

6.5.2 Hypothesis 2: Investor Trust → Actual Investment Behaviour

H2 posits that trust in finfluencers positively and significantly influences actual investment behaviour. Simple linear regression was applied.

Hypothesis	R ²	Adj. R ²	Beta (β)	p-value
H2: Trust → Investment Behaviour	0.603	0.602	0.832	0.000

Result: Since $p < 0.001$, H2 is SUPPORTED. Investor trust significantly and positively predicts actual investment behaviour.

Interpretation: Trust is the strongest predictor found in the study as it explains 60.3% of the variance in actual investment behaviour ($R^2 = 0.603$). The beta coefficient of 0.832 indicates a very strong positive correlation. This observation confirms the fact that, once investors form trust on finfluencers, they are most likely to convert the trust into tangible investment

behavior, such as changing their portfolios and taking of recommendations. This aligns with S-O-R framework, with trust acting as the mediator between the finfluencer stimuli and investor responses.

6.5.3 Multiple Regression: Predictors of Investment Behaviour

A multiple regression analysis was conducted to examine the combined effect of all major constructs on investment behaviour.

Variable	Beta (β)	p-value	Significant
Trust	0.352	0.000	Yes
Confirmation Bias	0.217	0.000	Yes
Herding Behaviour	0.185	0.000	Yes
Overconfidence Bias	0.145	0.000	Yes
Content Quality	0.116	0.038	Yes
Attractiveness	0.101	0.097	No
Engagement	-0.021	0.659	No
Credibility	-0.050	0.358	No
Financial Literacy	0.000	0.999	No
Loss Aversion	-0.023	0.585	No

Overall Model: $R^2 = 0.712$, $\text{Adj. } R^2 = 0.704$, $F = 93.99$, $p < 0.001$

Interpretation: Multiple regression model contains 71.2 per cent ($R^2 = 0.712$) of the variance of actual investment behaviour, which has been explained excellently. The most predictive independent variable ($\beta = 0.001$) is trust ($\beta = 0.352$), which contributes to the importance of trust in investment choices made by influencers. Confirmation bias ($\beta = 0.217$) and herding behaviour ($\beta = 0.185$) are the second and third most influential predictors, highlighting the important role of

cognitive biases in shaping investment responses. The significant predictors are also overconfidence ($\beta = 0.145$) and content quality ($\beta = 0.116$). Interestingly, the direct importance of raw credibility is lost in the multiple regression model which implies that all the impact of raw credibility on the investment behaviour is mediated by trust, as was the case in the S-O-R framework.

6.6 Group Comparisons

Group Variable	Test Statistic	p-value	Result
Gender (Mann-Whitney U)	14588.0	0.013	Significant Difference
Age (Kruskal-Wallis H)	59.676	0.000	Significant Difference
Education (Kruskal-Wallis H)	6.075	0.194	No Significant Difference
Investing Experience (Kruskal-Wallis H)	26.213	0.000	Significant Difference

Interpretation: The gender has a significant variation in the investment behaviour ($p = 0.013$) where male investors have a greater mean score of investment behaviour (4.525) than female investors (4.430). This can be an indication of the disparities in social media usage and investment activity across the sexes. The age is also exhibiting a strong impact ($p < 0.001$), as the older investors (30+) tend to exhibit more finfluencer-based investment behaviour, which can be explained by the fact that they have more financial means and more experience in investing. There is no significant difference in investment behaviour based on the level of education ($p = 0.194$) indicating that the propensity to invest based on the advice of the finfluencer is a relatively homogenous group. Experience has a substantial difference ($p < 0.001$), as more experienced investors (over 5 years) have the highest scores in investment behaviour (mean = 4.818), which means that experienced investors might be more certain and determined to take the advice of the finfluencer.

6.7 Structural Equation Modelling (SEM)

6.7.1 Overview of SEM

Structural Equation Modelling (SEM) was employed to examine the hypothesized relationships among the constructs of the proposed Extended Source Credibility Theory (SCT) model. SEM enables the simultaneous estimation of both the measurement model and the structural model, thereby assessing the relationships among the latent constructs while accounting for measurement error.

The structural model proposes that perceived credibility, attractiveness, content quality, and engagement represent the key characteristics of finfluencers that influence investor trust.

Investor trust, in turn, serves as the mediating construct that influences investment behaviour. The proposed SEM model is specified as follows:

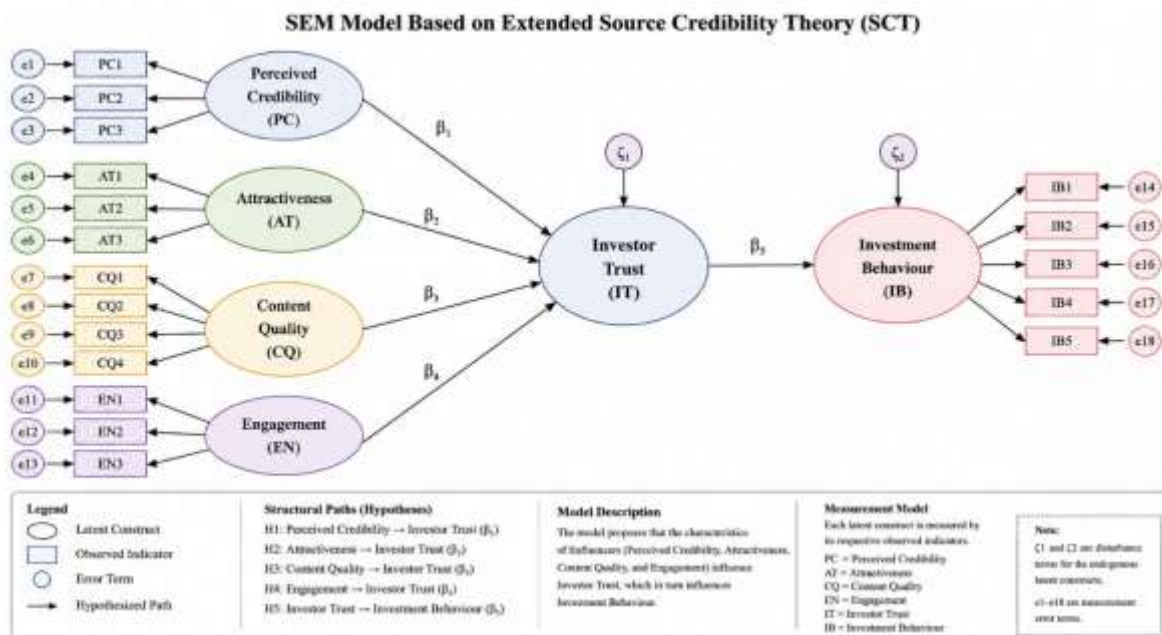
$$\text{Investor Trust} = \beta_1 (\text{Perceived Credibility}) + \beta_2 (\text{Attractiveness}) + \beta_3 (\text{Content Quality}) + \beta_4 (\text{Engagement}) + \varepsilon_1$$

$$\text{Investment Behaviour} = \beta_5 (\text{Investor Trust}) + \varepsilon_2$$

where:

- Perceived Credibility (PC) represents investors' perception of the expertise and trustworthiness of finfluencers.
- Attractiveness (AT) represents the perceived appeal, relatability, and communication style of finfluencers.
- Content Quality (CQ) reflects the relevance, usefulness, accuracy, and clarity of the financial information shared.
- Engagement (EN) refers to the level of interaction and responsiveness between finfluencers and their followers.
- Investor Trust (IT) represents the confidence investors place in finfluencer recommendations.
- Investment Behaviour (IB) denotes the extent to which investors act upon finfluencer recommendations while making investment decisions.
- β_1 – β_5 represent the standardized path coefficients estimated through SEM.
- ε_1 and ε_2 denote the error terms associated with the endogenous constructs.

The proposed model examines the direct effects of finfluencer characteristics on investor trust and the subsequent effect of investor trust on investment behaviour, thereby empirically validating the extended Source Credibility Theory framework.





6.7.2 Model Fit Indices

The overall fit of the proposed Structural Equation Model (SEM) was evaluated using multiple goodness-of-fit indices to assess the adequacy of the Source Credibility Theory

(SCT)-based model. The model is considered acceptable when CFI, TLI, and NFI exceed 0.95, GFI and AGFI exceed 0.90, and RMSEA is below 0.10.

Fit Index	Value	Acceptable Threshold	Status
CFI (Comparative Fit Index)	0.980	> 0.95	Excellent
GFI (Goodness-of-Fit Index)	0.974	> 0.90	Excellent
AGFI (Adjusted Goodness-of-Fit Index)	0.949	> 0.90	Excellent
NFI (Normed Fit Index)	0.974	> 0.90	Excellent
TLI (Tucker-Lewis Index)	0.960	> 0.95	Excellent
RMSEA (Root Mean Square Error of Approximation)	0.093	< 0.10	Acceptable

Interpretation

The goodness-of-fit indices indicate that the proposed Source Credibility Theory model fits the observed data well. Five of the six fit indices exceed their recommended threshold values, demonstrating excellent model fit. Although the RMSEA value (0.093) is marginally higher than the preferred value of 0.08, it falls within the acceptable range for

behavioural research involving large samples. Therefore, the overall SEM results provide adequate empirical support for the proposed SCT-based structural model.

6.7.3 Structural Path Coefficients

The standardized structural path coefficients obtained from the SEM analysis are presented below.

Structural Path	Beta (β)	p-value	Decision
Perceived Credibility → Investor Trust	0.071	0.159	Not Supported
Attractiveness → Investor Trust	0.105	0.062	Not Supported
Content Quality → Investor Trust	0.091	0.077	Not Supported
Engagement → Investor Trust	0.151	0.000	Supported
Investor Trust → Investment Behaviour	0.349	0.000	Supported

6.7.4 Interpretation of SEM Results

H1: Finfluencer Characteristics and Investor Trust

Source Credibility Theory suggests that the characteristics of a communication source significantly influence audience trust. The SEM results reveal that among the four finfluencer characteristics examined, engagement is the only significant predictor of investor trust ($\beta = 0.151$, $p < 0.001$). This finding indicates that retail investors develop greater trust in influencers who actively interact with followers, respond to queries, and maintain continuous engagement on social media platforms.

Although perceived credibility, attractiveness, and content quality exhibit positive relationships with investor trust, their effects are not statistically significant. These findings suggest that while investors value these characteristics, they are insufficient on their own to establish trust unless accompanied by meaningful engagement.

H2: Investor Trust and Investment Behaviour

Investor trust exerts a significant positive influence on investment behaviour ($\beta = 0.349$, $p < 0.001$), thereby supporting H2. This result indicates that retail investors who trust finfluencers are more likely to rely on their recommendations while making investment decisions. The finding reinforces the central proposition of Source Credibility Theory that trust acts as the principal mechanism through which source characteristics influence behavioural outcomes.

Overall SEM Conclusion

The SEM findings provide strong empirical support for the proposed Source Credibility Theory framework. The model demonstrates excellent goodness-of-fit, indicating that the hypothesized relationships adequately explain investment

behaviour among retail investors. The results establish investor trust as the primary mechanism linking influencer characteristics with investment behaviour. Among all source characteristics examined, engagement emerged as the strongest determinant of investor trust, highlighting the importance of interactive communication in digital financial environments.

7. ANALYSIS AND DISCUSSION

The findings provide empirical evidence that finfluencer characteristics influence the investment behaviour of retail investors through the development of investor trust. The results support the applicability of Source Credibility Theory in explaining how investors evaluate digital financial opinion leaders before acting upon their recommendations.

The findings indicate that engagement is the most influential determinant of investor trust. Finfluencers who actively communicate with followers, respond to questions, and maintain regular interaction are perceived as more trustworthy than those who merely disseminate financial information. This suggests that trust is built through continuous communication rather than solely through perceived expertise or attractive presentation.

Although perceived credibility, attractiveness, and content quality exhibit positive relationships with investor trust, these relationships are not statistically significant. This may indicate that today's retail investors evaluate influencers using multiple characteristics simultaneously rather than relying exclusively on any single attribute. The interactive nature of social media may therefore make engagement a more influential determinant of trust than traditional credibility dimensions.



The strong positive relationship between investor trust and investment behaviour confirms that trust remains a critical determinant of investment decision-making. Investors who perceive influencers as trustworthy are considerably more likely to follow their recommendations, consider suggested investment opportunities, and modify their investment decisions accordingly.

Overall, the findings extend Source Credibility Theory by demonstrating that in digital financial communication, engagement complements traditional credibility dimensions and plays a central role in fostering investor trust and influencing investment behaviour.

8. CONCLUSION

The present study examined the influence of influencer characteristics on investment behaviour among retail investors in Karnataka using Source Credibility Theory as the underlying theoretical framework. The findings demonstrate that investor trust serves as the key mechanism through which influencer characteristics influence investment behaviour.

Among the four source characteristics examined, engagement emerged as the only significant predictor of investor trust, highlighting the importance of active interaction between influencers and their followers. Furthermore, investor trust significantly influences investment behaviour, indicating that trusted influencers are more likely to shape the financial decisions of retail investors.

The study contributes to the growing literature on digital financial communication by extending Source Credibility Theory to the emerging context of influencer-driven investment decisions. The findings also offer practical implications for influencers, financial institutions, and regulators by emphasizing the importance of transparency, credibility, and responsible engagement in online financial communication.

8.1 Limitations of the Study

- The study was limited to retail investors in Karnataka; therefore, the findings may not be generalizable to other regions.
- The cross-sectional research design restricts the establishment of causal relationships among the study variables.
- Data were collected using self-administered questionnaires, which may be subject to common method bias and social desirability bias.
- The study examined only selected dimensions of Source Credibility Theory and did not include additional factors such as parasocial relationships, platform characteristics, or investor personality traits.
- Future studies may employ longitudinal research designs, larger samples, and additional credibility dimensions to further validate and extend the proposed model.

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