

The Rise Of ‘Finfluencers’ and Modern Day Trading

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Abstract

The rise of ‘finfluencers’ on social media platforms has reshaped how people access and act on financial information. By removing traditional intermediaries and combining financial advice with entertainment, digital platforms have increased market participation but also amplified behavioural biases and risk-taking. In the UK, regulatory frameworks such as the Online Safety Act 2023 struggle to address this new ecosystem, where education, promotion, and trading often overlap. The key challenge lies in balancing financial inclusion and innovation with investor protection and market integrity.

This paper argues that while finfluencers reduce barriers to entry and enhance financial inclusion, they intensify behavioural biases and information asymmetries, thereby necessitating a regulatory framework combining strengthened oversight, platform accountability, and financial literacy interventions.

History of financial innovation

The 20th century witnessed the emergence of intermediaries for the flow of financial advice, information and market access. Investors relied on brokers to execute trades and interpret market information (Michie, 1999), while the average person relied on specialised publications and print media to capitalise on investment opportunities. However, contemporary finance has redefined this system through short form, algorithmically amplified content available on any device online, anywhere in the world.

“Finfluencers” is a recently coined term for financial influencers — which refers to individuals who have cultivated a significant online following and leverage that audience to shape opinions, behaviours, and purchasing decisions (Freberg et al., 2011). Operating on platforms such as Instagram and TikTok, they serve as a modern ‘rule-of-thumb’ mechanism for financial information gathering and decision making (Agarwal et al., 2026). Platforms that were once primarily associated with entertainment have taken precedence as digital repositories for information on the stock market and a plethora of financial information.

Additionally, zero-commission trading platforms incorporating elements of **gamification** — defined as the use of game design principles such as rewards, notifications, and incentives in non-game contexts (Deterding et al., 2011) have eliminated entry barriers, while embedding reward-based features that encourage the general public to trade frequently often without historic suitability checks that encourage excessive risk taking and ill-conceived trading behaviour.

Finfluencers and Economic Concepts

The idea of finfluencers highlights core economic concepts such as disintermediation and information asymmetry – where one party has more information or knowledge than the other – as informal intermediaries like finfluencers accompany bias in sharing content, potentially affecting the quality of financial decision making and investor behaviour.

Behavioural economics emphasises psychological bias that influences investors while making decisions besides purely rational analysis (Kahneman, 2011). Social media can amplify these biases by presenting financial content in a simplified and emotionally engaging manner, leading to phenomena such as herd behaviour and overconfidence.

Regulatory Challenges in a Platform-Based Financial System

The United Kingdom and its regulatory laws in the financial sphere remain anchored to old institutional models. The Financial Conduct Authority (FCA) regulates financial promotions, such as those of “finfluencers”, and primarily focuses on clear and fair financial communication. While the FCA has issued warnings and regulatory guidance on financial promotions, its approach remains largely reactive rather than preventive (Financial Conduct Authority, 2024). This limits its effectiveness in a digital environment characterised by rapid content dissemination and global reach.

Similarly, the Online Safety Act 2023 regulates internet services to protect users from harmful online content by implementing safety measures, constraints on the amount of content and mechanisms on reporting (UK Parliament, 2023).

However, these regulatory mechanisms were not outlined for a market in which advice, execution, and behavioural nudges are bundled within digital platforms and inter-country algorithms. In today’s world, a social media post by a finfluencer may simultaneously educate, influence, and direct trading activity, often bypassing regulatory frameworks, traditional disclosure and suitability checks that these institutions enforce.

Key gaps in the UK system include lack of accountability, since these creators have no legal constraints for preventing the posting of misleading content, and conflicts of interest and bias due to sponsorships and promotional partnerships that get overlooked. Moreover, trading platforms encourage trading without assessing whether investors have the experience, knowledge, or risk-assessment ability to make informed decisions.

Critical Analysis

Although finfluencers make financial information more accessible and a convenient source of information for investor decision making, their actual effectiveness is debated due to the regulatory gaps discussed and the potential to mislead people. Moreover, even though eliminating barriers from

trading platforms induces a sense of freedom and an incentive to trade aggressively, it is accompanied by unconstrained risk and impulsive behaviour that is often overlooked.

This creates a fundamental policy trade-off: stricter regulation may lessen misinformation and protect traders, but risks limiting accessibility and innovation; whereas a more permissive environment enhances participation at the cost of increased exposure to financial risk and behavioural biases. A snowball effect has been created where individuals from almost every age group participate in trading activities, as reduction in barriers such as high brokerage fees, lack of complete information and geographical constraints have made financial markets more inclusive.

However, the improvement of financial inclusion has not been supported by an improvement in the quality and reliability of investment decisions.

The key challenge lies in striking a balance between these competing objectives, since imposition of stricter regulations might restrict innovation and limit accessibility, eventually reducing participation in financial markets. Financial markets need to remain inclusive and technologically advanced, while safeguarding against misleading information and impulsive decision making at the same time.

Conclusion

In conclusion, the rise of influencers represents a fundamental shift in how financial information is generated, disseminated, and consumed. While these developments have enhanced financial inclusion by lowering barriers to entry, they have simultaneously intensified behavioural biases and regulatory restrictions. Existing frameworks, including those of the Financial Conduct Authority and the Online Safety Act 2023, remain insufficiently equipped to address this evolving landscape. A balanced regulatory approach—combining strengthened oversight, platform accountability, and financial literacy—is essential to ensure that increased accessibility does not come at the expense of investor protection and market integrity.

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