

Regulating Digital Financial Advice an Analysis of SEBI's Finfluencer Guidelines in India

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Abstract—In recent years, more people are turning to digital sources for financial advice instead of just relying on traditional experts like wealth managers, brokers, and certified financial advisors. Financial advisory means giving guidance or tips about building wealth, taxes, insurance, investment planning, and managing money. These services aim to help people make informed financial decisions and protect them from unnecessary risks.

Influencers are people who have built a following on social media and shape the opinions, choices, and habits of their audience. Among them, a special group called "finfluencers" creates content about investing, the stock market, personal finance, insurance, retirement planning, and managing money. Finfluencers often explain financial topics in simple language and use real-life examples, making it easier for young and new investors to grasp complicated ideas. While finfluencers have made financial knowledge more accessible, there are concerns about whether their advice is accurate and unbiased, and whether they face enough oversight. Because of these concerns, regulators like the Securities and Exchange Board of India (SEBI) have stepped in to create new rules and protect online investors.

Index Terms—influencers, finfluencer, SEBI policies, financial advice, social media, investment planning.

I. INTRODUCTION

Financial advice is moving away from traditional sources like banks and brokers to digital platforms and social media. Now, financial influencers, or finfluencers, share information about stocks, mutual funds, cryptocurrencies, insurance, and personal finance on platforms like YouTube, Instagram, and X (formerly Twitter). Their simple explanations,

interesting stories, and active engagement make them especially popular with young and first-time investors. Finfluencers have helped more people learn about finance, but their growing influence has also raised questions about the reliability and accuracy of their advice and whether it is properly regulated. Many finfluencers lack formal qualifications or registration, yet they share content that is similar to investment advice. Because of this, regulators such as the Securities and Exchange Board of India (SEBI) have begun paying closer attention. SEBI has introduced new guidelines to regulate digital financial advice, increase transparency, and reduce conflicts of interest in online financial promotions.

II. LITERATURE REVIEW

Loona (2025) talks about how quickly finfluencer content has spread on social media. Many unregistered influencers share stock tips and trading strategies, calling them "educational" even when they're not. SEBI responded in January 2025 by telling licensed financial companies not to work with unregistered finfluencers or promote their content. The goal is to stop unapproved financial advice from looking legitimate and protect everyday investors from being misled.

Taxmann (2025) also points out that SEBI has taken stronger action against finfluencers. Now, there are tighter rules on money deals, referrals, and partnerships between licensed companies and unregistered influencers. The only exception is for purely educational content that doesn't include specific investment tips. This is meant to keep things open and honest.

Research shows that regulating influencers in today's digital world is a big challenge. In July 2024, SEBI highlighted how more and more people are giving investment advice online without official approval or oversight. Sometimes, these advisors are even connected to licensed financial companies. This can mislead investors, create conflicts of interest, and open the door to market manipulation (Securities and Exchange Board of India [SEBI], 2024).

The CFA Institute (2023) looks at how investment promotion is regulated in the UK, US, and EU. While all these places require investment advisors to be licensed, what counts as "investment advice" can vary, making it tough to regulate influencers across borders. Still, having common rules that demand honesty and clarity in investment information may work better than creating special rules just for influencers.

III. PROBLEM STATEMENT

The speed at which services are becoming digital has completely changed how people obtain financial services, goods, and information. Financial products and investment-related services have also moved to digital channels due to the growing desire for online platforms. Financial influencers, or "finfluencers," have emerged as a result of this shift. They use social media platforms to reach a wide audience with recommendations and content relating to investments. When investors, especially those with little financial expertise, depend on the advice of influencers without properly verifying the information or consulting with knowledgeable financial experts, a serious problem occurs. Many people base their investment decisions only on social media recommendations because of the popularity, attractiveness, and persuasive communication abilities of influencers, which frequently foster a sense of trust among followers. In several instances, such actions have resulted in substantial financial losses for retail investors.

Concerns about investor protection and market integrity have been highlighted by the growing power of influencers and the rise in instances of false or unreliable financial advice. The Securities and Exchange Board of India (SEBI) has implemented and is still strengthening regulatory procedures to monitor influencer activity and protect investor interests in recognition of these issues.

The purpose of this study paper is to highlight specific instances in which investors lost money as a result of recklessly following the advice of influencers. By analysing these situations, the study aims to raise public awareness of the dangers of unreliable financial advice and stress the significance of making well-informed investing choices. The study also assesses how regulatory actions can safeguard investors in the digital age and encourage ethical financial communication.

IV. OBJECTIVES OF THE STUDY

The objectives of this study are:

- To understand the shift in compliance requirements for financial influencers over the past two years
- To assess the impact of SEBI guidelines on the content and practices of influencers in India
- To analyse key provisions, restrictions, and disclosure requirements introduced by SEBI
- To evaluate the influence of SEBI's guidelines on digital advertising and affiliate marketing practices
- To examine SEBI's regulatory intent with respect to investor protection, transparency, and conflict-of-interest mitigation

V. RESEARCH METHODOLOGY

Type of Research

This study adopts a descriptive-analytical approach, focusing on recent regulatory developments regarding influencers and digital financial communication.

Data Collection Method

Data were collected through secondary documentary analysis, including the SEBI official website (circulars, press releases, regulations, discussion papers); national newspapers; business dailies; financial news portals and digital media platforms; academic journals and policy research reports; and Regulatory and expert commentary on influencer practices.

Data Analysis

Qualitative analysis was used to interpret regulatory changes, compliance requirements, and emerging trends in financial content on social media platforms.

Case Summary: SEBI vs. Avadhut Sathe Trading Academy (Order No. 1764842991)

Background:

The Securities and Exchange Board of India (SEBI) initiated enforcement proceedings against Avadhut Sathe Trading Academy Pvt Ltd (ASTAPL) and its founder, financial influencer Avadhut Sathe, following allegations that the academy was acting as an unregistered investment adviser and research analyst while operating publicly-marketed trading and mentorship programmes. Investigations revealed that the firm had collected substantial fees—reported to exceed ₹601 crore—from over 3.37 lakh participants since 2015 by promoting stock-specific trading guidance and by showcasing selective, profitable outcomes that misrepresented actual investor returns. (Mathew, 2025) SEBI had previously issued administrative warnings, which, according to the regulator, were ignored, followed by continued misleading promotional activity and the use of live trading data during sessions.

The central regulatory issue was whether ASTAPL's trading courses and live sessions constituted investment advisory and research analyst services under the SEBI Act and related regulations, activities that require formal registration and are subject to investor protection norms. Additionally, SEBI examined whether the selective reporting of profitable trades and the use of marketing tactics amounted to fraudulent inducement and misrepresentation, thereby violating prohibitions on fraudulent and unfair trade practices.

In a detailed interim adjudication order (125 pages), SEBI barred Avadhut Sathe and ASTAPL from participating in the securities market, effectively prohibiting them from providing investment advisory/research services or using live market data in their programmes. The regulator directed the impounding (disgorgement) of approximately ₹546 crore of alleged unlawful gains to be secured via fixed deposits or account freezes, pending further proceedings. (Sebi cracks down on Avadhut Sathe Trading Academy; orders disgorgement of Rs 546 crore 'unlawful gains', 2025) SEBI also mandated the immediate cessation of unregistered advisory activities and removal of related advertisements. This order functions both as a regulatory restraint and a show-cause notice, allowing the noticees the

opportunity to explain why additional penalties should not be imposed.

This enforcement action represents one of SEBI's most substantial crackdowns on a finfluencer-run entity, underscoring regulatory scrutiny against unlicensed financial advice under the guise of education and reinforcing investor protection in the digital era.

Case SEBI vs. Purooskhan — “Research Analyst” Running a Grocery Shop

The Securities and Exchange Board of India (SEBI) cancelled the research analyst registration of an individual named Purooskhan after discovering he was not involved in any securities market activity but was instead operating a small grocery shop in Madurai, Tamil Nadu. Although registered under the SEBI (Research Analysts) Regulations, 2014, Purooskhan was found to be selling daily essentials from a ~100-sq-ft shop and to have no professional involvement in preparing or disseminating securities research or investment recommendations. SEBI's quasi-judicial authority noted significant regulatory surprise that such an individual had ever held a research analyst registration. The action followed complaints alleging fake investment advice and associated investor losses traced to a website that misused his registration number while offering investment services.

The central regulatory concern was the misuse of Purooskhan's SEBI research analyst registration by a third-party entity, Option Research Company (ORC), which marketed paid investment advisory packages on its website while presenting itself as SEBI-certified. The complaint alleged that investors were induced to pay for advisory services under false pretenses, resulting in financial losses, and that ORC prominently displayed Purooskhan's registration details to lend legitimacy to its offerings. Although Purooskhan claimed no active role and even alleged he was misled into sharing personal details, his conduct of sharing credentials and failing to fulfill basic intermediary responsibilities raised regulatory concerns about compliance and proper stewardship of his SEBI registration.

SEBI revoked Purooskhan's registration as a research analyst, effectively removing his authorization to act in any regulated research capacity. Earlier, an adjudicating officer had closed the proceedings without imposing a monetary penalty, but the

regulator's Designated Authority adopted a stricter view, given the misuse of credentials and the lack of engagement in the requisite activities. In related proceedings, SEBI had previously ordered the refund of funds collected by ORC (around ₹30.39 lakh) and imposed market access bans and penalties on ORC and associated entities. (SEBI Cancels Research Analyst Registration After Holder Says He Runs Grocery Shop, Not Market Activities, 2025) The cancellation of the registration in this case underscores SEBI's vigilance against fraudulent use of regulatory registrations and reaffirms the requirement that only genuinely qualified and active professionals may hold such credentials.

Case Summary: SEBI vs. Asmita Patel (Financial Influencer Enforcement Action)

The Securities and Exchange Board of India (SEBI) took enforcement action in early 2025 against Asmita Jitesh Patel, a prominent financial influencer and operator of Asmita Patel Global School of Trading Pvt. Ltd. (APGSOT), after multiple investor complaints. Patel, widely followed on social media as the "She-Wolf of the Stock Market" and "Options Queen," promoted costly stock-trading courses and purported to guide participants on specific buy/sell decisions in securities markets. Allegations centered on her using educational branding as a front for providing real-time stock recommendations and trading guidance without the mandatory SEBI registration required for investment advisors or research analysts. SEBI's probe found that APGSOT and related entities collected significant fees from participants and allegedly routed funds through multiple firms to evade regulatory oversight.

The core regulatory issue was whether Patel and her affiliated entities were offering unregistered investment advisory and research analyst services in violation of SEBI regulations. Although her programs were marketed as educational courses, SEBI's examination revealed they included actionable stock recommendations, real-time trading guidance, and pressure to trade through specified brokerages — activities that bring them squarely under the definition of investment advisory services requiring SEBI registration. Further, complaints highlighted exaggerated profit claims and potentially misleading representations to investors.

In an interim order, SEBI banned Patel, APGSOT, and five associated entities from participating in the capital markets for their unregistered advisory activities. The regulator impounded ₹53.67 crore collected as fees and issued a show-cause notice seeking an explanation for why an additional ₹104.63 crore (plus interest) should not be seized as unlawful gains. (PTI, 2025) SEBI prohibited the respondents from offering any investment advisory or research analyst services and directed the refund of amounts collected from course participants. The order underscores SEBI's focus on investor protection and regulatory compliance in the rapidly growing "finfluencer" space.

This case highlights SEBI's evolving enforcement strategy toward financial influencers who cross from education into unregistered advisory services, reaffirming that online reach and social media followings do not exempt individuals from statutory requirements designed to protect investors.

SEBI Regulations Governing Finfluencers

Under SEBI regulations, individuals or entities providing investment advice must be registered as Registered Investment Advisors (RIAs). Eligibility includes a graduate-level qualification in relevant disciplines and mandatory NISM certifications. Offering investment advice or recommendations without registration constitutes a regulatory violation. SEBI also made it clear that registered financial professionals aren't allowed to work with or promote unregistered finfluencers unless they have special permission. Since 2024, SEBI has tightened the rules for finfluencers even more by:

- Stopping partnerships between registered companies and unregistered influencers
- Not allowing unregistered people to give direct buy, sell, or hold advice
- Limiting how real-time market data can be used in educational videos or posts, mandating clear disclosure of sponsorships, affiliations, and conflicts of interest
- Taking action against rule-breakers, including making them return any money they made unfairly

VI. CONCLUSION

SEBI's regulatory framework for finfluencers demonstrates a proactive response to the risks associated with digital financial advice. By restricting

associations with unregistered influencers, mandating disclosures, and limiting actionable recommendations, SEBI seeks to enhance investor protection and uphold market integrity. Although finfluencers have contributed to the democratisation of financial knowledge, unregulated digital influence presents systemic risks. The guidelines aim to balance the promotion of financial literacy with the prevention of misleading or unethical advisory practices. Moving forward, effective enforcement and greater investor awareness will be essential to ensure that digital financial communication remains transparent, responsible, and consistent with regulatory objectives.

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