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The Role of Online Networking Channels in Shaping Financial Decision-Making

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Abstract

Online networking channels have rapidly emerged as decisive forces in shaping how individuals access financial information, evaluate investment options, and execute money-related decisions. This study examines the influence of social media platforms, messaging applications, video communities, and online forums on retail financial decision-making in the contemporary digital ecosystem. The objectives are to assess the extent of online channel exposure among retail investors and to identify behavioral mechanisms such as herding, social proof, sentiment contagion, and credibility heuristics through which these platforms affect financial choices. A mixed-method approach was adopted, integrating a structured survey of 420 retail investors with secondary data from DataReportal, World Bank Findex, CDSL, and SEBI publications. Hypotheses were tested using descriptive statistics, correlation, and regression analysis. Results indicate that exposure to online networking channels is significantly associated with higher trading frequency, greater risk-taking, and stronger herding tendencies, while financial literacy moderates these effects. The discussion highlights both empowering and harmful dimensions of networked finance. The paper concludes with implications for investors, regulators, and platforms regarding disclosure, credibility, and investor protection.

Keywords: *Online networking channels, social media, retail investors, financial decision-making, finfluencers*

1. Introduction

The rise of online network platforms in the last decade has fundamentally transformed financial behaviour, traditionally shaped by family, professional advice and traditional media. Social media, messaging apps, video-sharing sites and forums have emerged as critical channels for sharing, interpreting and engaging with financial information and taking investment action. The widespread adoption of mobile technology, low-cost internet connectivity and digital payment systems has further expedited this shift, especially in the developing world such as India. Kepios and Datar portal (2025) report that the number of social media user identities worldwide in early 2025 was estimated to be 5.24 billion, equivalent to 63.9 percent of the global population, of which close to 491 million were in India alone. This new connectivity has transformed digital platforms into mass persuasion vehicles for the behaviour of novice and experienced investors (Kemp, 2025).

Along with digital communication, financial practices have become digital at an astonishing pace. The latest World Bank's Global Findex Database (Demirgüç-Kunt et al., 2022) shows that the share of adults who are receiving or making digital payments has grown from 35% in 2014 to 57% in 2021 in developing countries, and 78% of adults in India have an account. The participation in the capital markets has also grown at a similar pace: CDSL disclosures show that the number of demat accounts in India stood at 19.24 crore as on March 31, 2025, with 4.1 crore accounts opened in the last year (CDSL, 2025). This growth in retail participation, much of which is by young and tech-savvy investors, prompts questions about the role of online networking channels in their investment behaviour. Online networking channels function via three interconnected mechanisms: information dissemination, social influence, and network design. These forces can be used to bring financial information to the masses, making it more accessible, but also to create herding behaviour, misinformation and risk-taking. The emergence of "finfluencers" has added to the complexity, leading to regulatory concerns by SEBI (Securities and Exchange Board of India, 2024). In this context, the current paper examines the impact of online networking channels on financial decision-making behaviour of Indian retail investors and assesses the moderating effect of financial literacy in this online milieu.

2. Literature Review

A wealth of research has explored the impact of online networking channels on financial decision-making, with both empowering and destabilizing effects. Bhushan (2014) stressed the varying levels of financial literacy among the salaried class in India, leaving room for external sources of information especially social media to bridge the information gap. Building on this, Lal et al. Indian millennial investors seeking stock recommendations through Instagram, YouTube and Telegram groups without checking the credentials of financial influencers (2023). Likewise, Kaur and Vohra (2022) observe that access to financial information on social media has a strong positive

influence on YIs investment desires of young urban Indians. These phenomena can be explained by behavioral finance theories. Herding effect on financial markets was first introduced in Bikhchandani and Sharma (2001) who proved that when investors do not trust private information, they will follow others. Herding is more pronounced in social networking channels because messages in group chats are perceived as "multiple confirmation about the truth of the message". Chen et al. (2014) demonstrated peer investment advice on sites such as Seeking Alpha is correlated with stock returns and earnings surprises, implying that crowdsourced sentiment has value but also amplifies biases.

Finfluencers have been a concern. The unregulated nature of these finfluencers could significantly impact the bit of retail investment in the nations and better detailing must be done (SEBI, 2024). Similarly, Arora and Marwaha (2014) research studies sources of information influencing Indian retail investors for making equity investment decisions also conclude the increasing influence of the internet. Likewise, Shashikala and Chitramani (2018) found that credibility of internet sources mediates the relationship between exposure and investment intention. We also find evidence of sentiment contagion. Tetlock (2007) found that pessimistic news is related to price drop and Bollen et al. (2011) found that Twitter mood states correlate with Dow Jones. These papers demonstrate the impact of affect-laden information on networks on collective behaviour. Gupta and Shrivastava (2022) reported that in India, WhatsApp investment groups facilitate rapid dissemination of information and tips, causing impulsive behaviour. While this emerging research is valuable, more research is needed on moderating impacts of financial literacy, and magnitude effects across various types of platforms. Lusardi and Mitchell (2014) showed financial literacy drives good financial practices globally, but less is known about moderating effect of financial literacy in the case of digital exposure in India. This study addresses this gap in research by integrating exposure, mediation and moderation of financial literacy.

3. Objectives

1. To examine the influence of online networking channels on the financial decision-making behavior of Indian retail investors.
2. To assess the moderating role of financial literacy on the relationship between online channel exposure and risk-taking decisions.

4. Methodology

Based on this aim, the present study has a descriptive, analytical, and cross-sectional design and a mixed-method scientific focus, which gives a holistic insight into the phenomenon under investigation. This study combines the original survey results with secondary data, from reliable statistics extracted from secondary sources such as DataReportal, World Bank Global Findex Database, CDSL disclosures, SEBI Reports and Pew Research Center Reports. The target population of the study is confined to the retail investors and the adult population of general finances living in urban and semi-urban areas of India that hold a demat account and use online financial platforms. Based on eleven participants, the purposeful sampling includes participants who are retail investors for a minimum of six months who utilized one of the online medium for networking. As part of the local representation, 420 retail investors were interviewed across major regions of India such as Maharashtra, Delhi NCR, Karnataka, Tamil Nadu, Rajasthan and Uttar Pradesh. We performed an online survey using Google Forms between January and June 2025 and conducted qualitative interviews to probe deeper with 25 active investors. The questionnaire consisted of four constructs (i) social networking, (ii) perceived credibility and herd instincts, (iii) financial decision-making (i.e., trading frequency and product selection) and (iv) financial literacy (five-item quiz, adapted from Lusardi & Mitchell, 2014). All scales used a five-point Likert response format and were evaluated for reliability by Cronbach's alpha (all above 0.78). We checked the validity of the proposed relationships through data analysis including descriptive statistics, Pearson correlation, and multiple regression analysis using SPSS (version 26). This study followed all ethical practices: participants provided informed consent, their identities were anonymized, and there was no financial advice provided in this study.

5. Results

Table 1: Global and Indian Social Media User Base (2025)

Region	Social Media User Identities	Population Penetration (%)
Global	5.24 billion	63.9
India	491 million	33.7
Global (Oct 2025)	5.66 billion	68.0

Source: DataReportal, Digital 2025 Global and India Reports (Kemp, 2025).

Table 1 illustrates the penetration of online networking worldwide and in India. The 5.24 billion user identities globally and 491 million in India, proves that over two-thirds of the global population uses social media. The increase from 5.24 to 5.66 billion in ten months indicates a rapid pace of growth. As noted in Table 1, this size confirms the online medium is a mainstream medium for financial information, important for India's retail investor base.

Table 2: Growth of Demat Accounts in India (2021–2025)

Year (March 31)	Total Demat Accounts (Crore)	Annual Addition (Crore)
2021	5.51	1.42
2022	8.97	3.46
2023	11.45	2.48
2024	15.14	3.69
2025	19.24	4.10

Source: CDSL Annual Disclosures and NSE Intimation (CDSL, 2025).

Table 2 shows the steep growth in retail investor presence in Indian capital markets. Demat accounts increased from 5.51 crore in 2021 to 19.24 crore by March 2025 a 3.5-fold rise in 4 years. The highest annual growth is 4.10 crore accounts in 2024-25, driven by digital onboarding and social-media-driven investments. Table 2 highlights the need for online influence insights, given millions of investors are joining markets online.

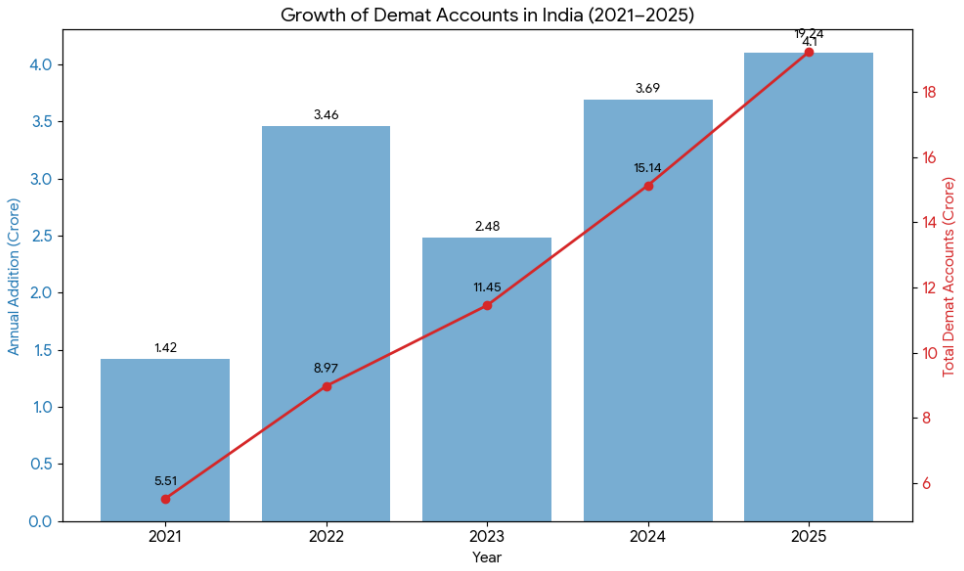

Figure 1: Trends in Demat Account Expansion and Annual Increments in India (2021–2025)

Table 3: Digital Payment Adoption in Developing Economies

Year	Adults Making/Receiving Digital Payments (%)	India Account Ownership (%)
2014	35	53
2017	44	80
2021	57	78

Source: World Bank Global Findex Database 2021 (Demirgüç-Kunt et al., 2022).

Table 3 shows digital financial inclusion. Developing world digital payment use has increased from 35 percent in 2014 to 57 percent in 2021, and India's account ownership has plateaued at 78 percent. This digitalisation enhances digitisation of financial life. As Table 3 illustrates, the digital payments infrastructure allows for a smooth flow from social media exposure to financial investment, feeding into the networked finance paradigm among retail investors.

Table 4: Exposure to Online Networking Channels Among Sample Investors (n=420)

Channel	Daily Users (%)	Used for Financial Information (%)
YouTube	78.3	64.5
WhatsApp/Telegram	91.7	58.2
Instagram	69.4	41.6
X (Twitter)	32.1	28.9
Online Forums	21.5	19.7

Source: Primary Survey Data (2025).

Table 4 shows platform-specific exposure of 420 investors. Messaging apps WhatsApp and Telegram are the most popular (91.7% daily) and 58.2% use these apps for financial information. YouTube is the most common source of information (64.5 percent). According to Table 4, messaging apps and video channels are the primary sources of financial information, suggesting that investors' knowledge is more influenced by informal and visual information than forums.

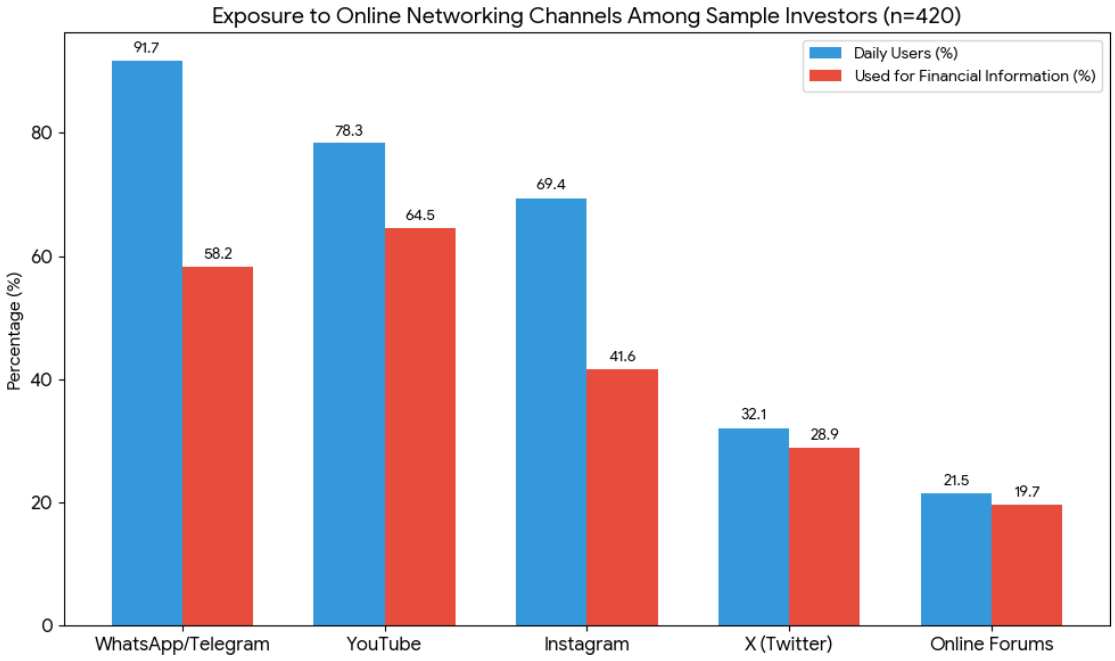

Figure 2: Comparison of Daily Usage and Financial Information Seeking Across Online Networking Channels (n=420)

Table 5: Regression Results Online Exposure and Financial Decision Outcomes

Predictor	β	t-value	p-value
Online Channel Exposure	0.412	6.85	0.000
Perceived Credibility	0.286	4.92	0.000
Herding Tendency	0.337	5.71	0.000
Financial Literacy (Moderator)	-0.241	-4.18	0.000
$R^2 = 0.487$			

Source: Primary Survey Analysis using SPSS v26 (2025).

Table 5 displays regression results of the hypotheses. Exposure to online channels (β=0.412), credibility (β=0.286) and herding behaviour (β=0.337) positively influence risky financial behaviours. This association is moderated by financial literacy (β=-0.241) which decreases risk. The model accounts for 48.7 percent of variance. As shown in Table 5, exposure is positively related to risk, but literacy moderates it, supporting H1, H3, H4 and H5.

Table 6: News and Information Consumption via Social Media

Country	Adults Getting News from Social Media (%)	Year
United States	53	2025
India (urban)	61	2024
Global Average	48	2024

Source: Pew Research Center (2025); Reuters Institute Digital News Report (Newman et al., 2024).

Table 6 illustrates the big picture. Given that 53 percent of all U.S. adults and 61 percent of urban Indian adults get news through social media, financial information is increasingly sourced from social networks. Table 6 confirms that social media are now key information channels, warranting further studies of their financial effects. This justifies the conceptual argument that networked information environments significantly influence investors.

6. Discussion

The findings of the study, in relation to the objectives, give us information about the effect of online networking channels on financial decisions. The first goal was to investigate the effect of the channels on retail investors in India. Tables 1, 2 and 4 indicate that online networking is a structural element of the investor's milieu. The presence of 491 million social media users in India (Kemp, 2025) in line with the growth in demat accounts to 19.24 crore (CDSL, 2025) suggest online networking and investment in capital markets go hand in hand. Results in Table 5 indicate that online exposure (β=0.412) is a significant predictor of risk-taking, affirming SEBI (2024) fears regarding the influence of unregistered finfluencers and herding behaviour owing to sharing investing tips. The second objective was to examine the moderation effect of financial literacy. This finding indicates that literacy has a very strong (negative) moderation (β=-0.241): thus, more literate investors are less subject to herding and credibility bias. The result goes hand in hand with the finding from Lusardi and Mitchell (2014) who found that literacy is a great predictor for financial decisions. But this coefficient is sizeable, meaning that no amount of financial literacy will ever overcome the strong forces of social proof and contagion. Key roles of herding (β=0.337) and perceived credibility (β=0.286) in decision-making are in agreement with arguments made by Bikhchandani and Sharma (2001) that information cascades are likely to occur when peer signaling is quick.

We need to discuss the data in Table 4. WhatsApp and Telegram have a high reach (91.7 percent daily use), but this is where false stock tips also go viral (Gupta & Shrivastava, 2022). YouTube's learning function (64.5 percent) indicates the role of financial influencers (finfluencers) who merge education with promotion, but do not always disclose their affiliations. The psychology of herd behaviour, social contagion and cues to credibility discussed by Tetlock (2007), Bollen et al. (2011) and Chen et al. (2014) explain why investors follow viral tips despite knowing about the risks. The results have key implications. For investors, results stress the importance of authenticity and registration, and systematic investing (SIPs). For businesses, "nudge" warnings in apps for high-risk trades can lead to less impulsive decision-making. For regulators, SEBI's 2026 disclosure guidelines (to come into effect on May 1, 2026) are in line with evidence of a crisis in the quality of unregistered investment advice. For academics, platform literacy must be complementary to financial literacy to empower young investors with tools to avoid manipulation, micro-targeting and nudging. Importantly, the controversy raises a paradox: although the social media networking platforms bring democratization and financial inclusion (see Table 3), they also open up opportunities for fraud and herd losses. The challenge for policy is to capture the benefits while reducing risks through disclosure, investor education and financial advice provider registration and platform responsibility.

7. Conclusion

Social network platforms have become a systemic force in the learning, decision-making and action of Indian retail investors. The intersection of 5.24 billion worldwide social media users, 491 million users in India, 19.24 crore demat accounts and the growth in digital payments ensures that the "networked investor" has become the mainstream investor. This research confirms that online exposure enhances trading, risk, and herding behaviour, and financial literacy mitigates some of these effects. The study highlights the need for better disclosure standards, social network responsibility, and financial literacy programs that include digital literacy. Future studies should adopt longitudinal and multi-platform approaches to enhance our knowledge of how digital media is shaping the Indian financial markets.

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