



The Study Of The Role Of Financial Influencers And Digital Media In Stock Market Manipulation In India

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ABSTRACT :

The increasing role of financial influencers (finfluencers) and digital media in shaping stock market trends in India has introduced both opportunities and challenges for investors and market regulators. While financial influencers provide accessible financial advice and market insights, their activities have also raised concerns about misinformation, market manipulation, and speculative trading. This paper explores the impact of financial influencers and social media platforms on stock market behaviour in India, focusing on how misleading information and coordinated manipulation strategies affect market stability and investor confidence.

Through a detailed analysis of real-world case studies—including the Brightcom Group financial misrepresentation, Telegram-based pump-and-dump schemes, and the dramatic rise in penny and micro-cap stocks—this study highlights the mechanisms through which influencers and social media platforms contribute to market manipulation. The paper aims to assess the scale of this influence, identify gaps in regulatory oversight, and propose solutions to enhance transparency and protect retail investors.

The findings underscore the need for stricter regulations, including mandatory registration for financial influencers, enhanced disclosure requirements, and improved technological surveillance by **the Securities and Exchange Board of India (SEBI)**. Additionally, the paper emphasizes the importance of investor education to enable retail investors to critically assess financial advice and market risks. By addressing these issues, this study aims to contribute to a more transparent and stable stock market environment in India.

Keywords: Finfluencers, Stock Market Manipulation, Digital Media, Retail Investors, Market Volatility, SEBI Regulations, Pump-and-Dump Schemes, Financial Misinformation

Introduction :

The advent of digital media has significantly transformed the dissemination of financial information, leading to the emergence of financial influencers, commonly known as "finfluencers," who leverage platforms like YouTube, Twitter, and Instagram to provide investment advice. While these influencers have democratized access to financial knowledge, they have also introduced challenges related to the credibility and regulation of the information shared¹. Another study highlights that finfluencers often disseminate unverified information, which can mislead investors and contradict established securities regulations². This unregulated advice can contribute to market volatility and potential manipulation, as inexperienced investors may act on biased or inaccurate recommendations.

In the Indian context, the influence of influencers has grown substantially, raising concerns about their role in stock market manipulation. A study delves into the deceptive practices of certain influencers in India, accusing them of endorsing stocks for personal profit, deceiving investors, and charging fees for their services. The Securities and Exchange Board of India (SEBI) has faced challenges in monitoring and regulating the activities of these influencers, as the rapid spread of information on social media platforms complicates enforcement efforts. The increasing prevalence of finfluencers underscores the need for enhanced regulatory frameworks to protect retail investors and maintain market integrity³.

Case Studies :

The following case studies illustrate the role of financial influencers and digital media in stock market manipulation in India:

¹ Kale, A., & Abhi, M. (2024). *Deceptive Practices of Finfluencers in India and Regulatory Challenges*. *International Journal of Advanced Research in Science, Communication, and Technology*, 8(3), 233–249

²

³ Bhattacharya, R., & Sharma, P. (2022). *The Influence of Influencers on Indian Stock Market Trends*. *Indian Journal of Finance*, 18(1), 101–123

Case Study 1: The Brightcom Group Financial Misrepresentation

Brightcom Group Ltd (BGL), a digital marketing services provider, was found to have misrepresented its financial statements, leading to significant regulatory action. The Securities and Exchange Board of India (SEBI) imposed penalties totalling ₹34 crore on BGL, its promoters, and key individuals involved in the misreporting. Specifically, promoters M Suresh Kumar Reddy and Vijay Kancharla were each fined ₹15 crore and barred from the securities markets for five years. The company's financial irregularities included overstating profits and failing to comply with accounting standards, which misled investors about its true financial health. These actions not only violated regulatory norms but also eroded investor trust, highlighting the severe consequences of corporate misrepresentation.

Findings:

- **Financial Misrepresentation:** BGL overstated its profits by adopting incorrect accounting practices, misleading investors about the company's performance.
- **Regulatory Action:** SEBI's investigation led to substantial penalties and market bans for the promoters, underscoring the regulator's commitment to maintaining market integrity.
- **Investor Impact:** The misrepresentation resulted in significant financial losses for investors who relied on the falsified financial statements.

Case Study 2: Stock Manipulation via Telegram Groups

Unregistered investment advisors have exploited messaging platforms like Telegram to manipulate stock prices through coordinated "pump-and-dump" schemes. In these schemes, advisors would recommend specific penny stocks to a large number of subscribers, creating artificial demand and inflating stock prices. Once the prices peaked, the manipulators sold their holdings at the elevated prices, leaving unsuspecting investors with devalued stocks. For instance, the Telegram channel "bullrun2017" had over 49,000 subscribers and was involved in such manipulative activities. SEBI's investigation into this channel revealed that these schemes often targeted illiquid stocks, making them more susceptible to price manipulation⁴.

Findings:

- **Platform Misuse:** Messaging apps like Telegram have been misused to disseminate unregulated financial advice, facilitating market manipulation.
- **Investor Vulnerability:** Retail investors, especially novices, are susceptible to such schemes due to the perceived credibility of these groups and the fear of missing out on lucrative opportunities.
- **Regulatory Challenges:** The anonymity and rapid information dissemination on these platforms pose significant challenges for regulators in tracking and curbing such fraudulent activities.

Case Study 3: Surge in Penny and Micro-Cap Stocks

Over a recent period, shares of approximately 200 obscure penny and micro-cap companies in India surged between 300% and an astonishing 65,000%. For example, Sri Adhikari Brothers Television's stock rose from ₹3 to ₹2,198. This unprecedented rise reflects heightened investor interest despite these firms having limited earnings. Such dramatic increases are often driven by speculative trading and can be indicative of underlying market manipulation, where prices are artificially inflated to attract unwary investors before a sharp decline.

Findings:

- **Speculative Trading:** The massive price surges in penny stocks suggest speculative trading, often fueled by misinformation or hype.
- **Market Manipulation Indicators:** Such extreme volatility in stocks with limited earnings may indicate manipulation, where prices are artificially driven up to profit manipulators at the expense of retail investors.
- **Investor Caution:** These scenarios highlight the need for investor caution and due diligence, especially when dealing with low-cap stocks that are more susceptible to manipulation.

These case studies underscore the critical need for regulatory vigilance and investor education to combat financial misinformation and protect market integrity.

Discussion :

1. Personal Perspective on the Case Studies

The case studies presented in this study reveal a troubling pattern of market manipulation and investor exploitation facilitated by financial influencers and digital media. What is particularly concerning is the vulnerability of retail investors who rely on seemingly trustworthy advice from social media platforms and influencers. In the case of Brightcom Group, the company's deliberate financial misrepresentation misled thousands of investors, resulting in substantial financial losses. SEBI's imposition of a ₹34 crore fine is a positive step, but the fact that this manipulation occurred in the first place points to significant gaps in regulatory oversight.

The Telegram case illustrates how difficult it is to regulate decentralized and anonymous communication platforms. The fact that a single Telegram group had over 49,000 subscribers and successfully manipulated stock prices indicates the scale and sophistication of these operations. This raises questions about whether SEBI and other regulatory bodies have the technological and legal tools to track and address such manipulation effectively.

⁴ Khurana, P. (2023). *Finfluencers and the Impact of Social Media on Financial Markets. Social Media and Society in India Proceedings*, 20(4), 109–115

Finally, the surge in penny and micro-cap stocks reflects speculative behavior at an extreme level. A 65,000% increase in a stock's price over a short period is neither normal nor sustainable—it reflects an environment where information asymmetry and herd behavior drive market trends. This type of manipulation erodes trust in the market and can deter legitimate long-term investors.

From my perspective, these cases demonstrate the need for a multi-faceted approach to regulation. Stricter guidelines for financial influencers, enhanced disclosure requirements, and improved digital surveillance could help mitigate these issues. Financial literacy among retail investors also needs to be a priority to ensure that they can critically evaluate financial advice before making investment decisions.

2. Statistical Insights and Market Impact

The statistics behind these cases provide a compelling picture of the scale and impact of market manipulation in India:

- According to SEBI's 2023 report, nearly 70% of retail investors in India follow financial influencers for stock market advice.
- SEBI also reported that over ₹2,500 crore worth of stock value was lost in pump-and-dump schemes over a period of 12 months in 2023.
- Telegram and WhatsApp stock-picking groups had a combined membership exceeding 150,000 active users in India by mid-2023.
- Penny and micro-cap stocks saw unprecedented growth, with over 200 stocks surging by over 300% in 2022–2023 alone, despite weak financial fundamentals.
- Following the Brightcom Group scandal, the company's stock lost nearly 85% of its value in less than three months, wiping out nearly ₹5,000 crore in market capitalization.

These figures reflect the growing influence of digital platforms and social media in shaping investor behavior. The ease with which misinformation can spread and influence market behavior underscores the urgent need for regulatory intervention. Enhanced monitoring of influencer activity, along with transparency in promotional content, could protect investors and stabilize markets.

3. Broader Implications and Regulatory Challenges

The findings from these case studies suggest that market manipulation via social media and influencers is not an isolated issue—it is part of a broader global trend. The challenge lies in regulating decentralized platforms where influencers operate without accountability. SEBI's attempts to enforce guidelines are limited by jurisdictional and technological barriers.

Moreover, there is an ethical dimension to this issue. Financial influencers are not held to the same fiduciary standards as financial advisors, yet their recommendations have a significant impact on investor decisions. This creates a gray area where misleading or biased advice can flourish without consequence. Regulation alone will not solve this issue—it needs to be complemented by investor education, greater transparency from social media platforms, and more stringent penalties for false or misleading financial content.

4. Proposed Solutions and Recommendations

To address these issues, the following measures could be effective:

- **Mandatory Registration for Finfluencers** – Financial influencers with large followings should be required to register with SEBI and disclose any financial incentives or conflicts of interest.
- **Enhanced Monitoring of Social Media Activity** – AI-driven tools could help regulators monitor and detect suspicious trading patterns linked to social media activity.
- **Stronger Penalties for Misleading Advice** – Fines and trading bans for influencers involved in pump-and-dump schemes would serve as a deterrent.
- **Investor Education Programs** – SEBI and financial institutions should promote financial literacy campaigns to help retail investors evaluate financial advice critically.
- **Transparency Requirements** – Influencers should be required to disclose any sponsorships or affiliations when making stock recommendations.

The increasing influence of financial influencers and digital platforms in India's stock market presents both opportunities and risks. While democratizing financial information is beneficial, the lack of regulation and oversight creates opportunities for manipulation. Strengthening regulatory frameworks and promoting investor education will be key to ensuring a more stable and trustworthy market environment.

Conclusion :

The role of financial influencers and digital media in stock market manipulation in India presents a complex challenge that requires a balanced approach to regulation and investor protection. The case studies of Brightcom Group, Telegram-based pump-and-dump schemes, and the unprecedented rise in penny and micro-cap stocks highlight the scale and severity of the problem. Financial influencers, while empowering retail investors with easy access to financial information, have also become channels for misinformation, speculative trading, and market manipulation.

The findings underscore the need for stronger regulatory oversight by the **Securities and Exchange Board of India (SEBI)**, especially concerning the transparency and accountability of financial influencers. Mandatory registration, disclosure requirements, and penalties for misleading content would enhance market integrity and protect investors from fraud. Moreover, the rapid spread of financial advice on social media platforms calls for improved technological monitoring and cooperation between regulators and social media companies.

Investor education also emerges as a crucial factor in mitigating the risks posed by market manipulation. Empowering investors with the tools to critically assess financial advice and understand market risks will help build a more informed and resilient investor base. While financial influencers and digital platforms have the potential to democratize financial information and increase market participation, their activities must be guided by clear ethical standards and regulatory frameworks to prevent abuse and ensure fair market practices.

In conclusion, addressing stock market manipulation in the digital age will require a coordinated effort involving regulators, financial influencers, social media platforms, and investors. Enhanced transparency, stricter enforcement, and improved financial literacy are essential to ensuring a fair, stable, and trustworthy stock market in India.

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