Financial Wellbeing in the Age of Social Media: Rethinking Consumer Financial Decision Pathways

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Abstract

With rising inflation and living costs, many individuals with high incomes and higher education often struggle to meet their financial goals. Hence, the relevance of financial literacy in shaping buyer decisions for financial wellbeing becomes even more pronounced in today's digital age, where social media platforms are saturated with content advising people on financial matters on the one hand and influencers displaying extravagant expenses on the other. In this context, this conceptual paper aims to understand how financial literacy can shape consumer financial decision-making for enhanced financial wellbeing within the context of widespread social media exposure. To address this, the paper employs the Stimulus-Response (SR) Model of Buyer Behaviour and the Bounded Rationality Theory. As a result, this paper contributes to literature through a behavioural understanding of financial decision-making by situating literacy within established models; for practice and policy, it highlights the urgency of credible and structured financial literacy initiatives to help individuals filter social media content empowering them to achieve optimal investments for long-term financial wellbeing.

Keywords:

Financial literacy, Consumer behaviour, Stimulus-Response Model, Bounded Rationality Theory, Financial wellbeing

INTRODUCTION

In recent years, households across the globe have been facing increasing financial pressures arising from inflation, rising living costs, and uncertainties in labour markets. Strikingly, such pressures are not confined to individuals with limited incomes or educational qualifications. Even those with high levels of formal education and relatively high salaries often report difficulties in meeting their financial goals and ensuring long-term financial wellbeing. This paradox underscores a critical gap: the possession of financial resources and formal education does not necessarily translate into the capacity to manage one's finances effectively. Central to addressing this gap is the concept of financial literacy, which provides individuals with the knowledge, skills, and confidence required to make sound financial decisions.

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At the same time, the rise of digital technologies and the widespread influence of social media have transformed the landscape of financial decision-making. Financial advice, once the domain of professional advisors, is now widely disseminated through social media platforms by influencers, peer communities, and self-proclaimed experts. While this democratization of financial knowledge enhances accessibility, it also carries risks. The quality and accuracy of such advice vary significantly, and consumers may be exposed to misinformation, speculative trends, or "get-rich-quick" narratives that encourage risky behaviours. Given these dynamics, understanding how consumers process financial information in the digital age has become an urgent scholarly and practical concern.

Prior research on financial literacy has emphasized its role in enabling optimal investment decisions, improving saving behaviour, and promoting long-term financial wellbeing. However, existing literature has not adequately integrated the influence of social media financial content with consumer financial behaviour, nor has it sufficiently explored the role of financial literacy in the context of financial wellbeing. This intersection of social media, financial literacy and buyer decision-making is particularly relevant because consumers, when confronted with abundant and often conflicting financial advice online, must rely on bounded rationality and heuristics to make choices. Under such circumstances, behavioural biases such as short-term orientation, overconfidence, or herd behaviour may dominate, leading to sub-optimal financial outcomes. Going beyond individual decision making and wellbeing, this also has implications for broader concerns such as sustainable development (Bryant, 2013; Krechovská, 2015; Lontchi et al., 2022).

In this context, the aim of this paper is to conceptually examine the role of financial literacy in shaping consumer financial decision-making for enhanced financial wellbeing within the context of widespread social media exposure. More specifically, the objectives of the study are (i) to examine how social media financial content influences consumer decision-making, (ii) to highlight the role of financial literacy in enhancing financial wellbeing, and, (iii) to propose a conceptual framework for improved financial decision-making and wellbeing.

We draw on the Stimulus-Response (SR) Model of Buyer Behaviour and Herbert Simon's Bounded Rationality Theory to argue that financial literacy acts as a critical mediator between social media financial stimuli and consumer financial decisions. We combine this with the study by NCAER and SEBI (2011) which reports that decisions based on informal information are most likely to be sub-optimal. In this view, social media financial content functions as the stimulus, consumer responses are shaped by their cognitive and informational capacities, and financial literacy provides the necessary interpretive filter that determines whether decisions will be sub-optimal or informed. By integrating these theoretical perspectives, the paper highlights how financial literacy can mitigate cognitive and behavioural limitations, enabling individuals to move from bias-driven financial behaviours toward informed financial choices that foster both optimal investments and broader financial wellbeing.

This conceptual work contributes to the growing literature on financial literacy and consumer behaviour in three key ways. First, it places financial literacy within the current digital environment, where the nature of financial stimuli has been fundamentally reshaped by social media. Second, it extends theoretical understanding by integrating financial literacy into the SR framework and Bounded Rationality Theory, thereby offering a novel lens through which to view consumer decision-making. Finally, it underscores the practical urgency of strengthening financial literacy initiatives as a safeguard against the proliferation of misinformation in the digital age.

LITERATURE REVIEW

Financial literacy has increasingly been recognized as a cornerstone of individual and societal financial wellbeing.

Numerous definitions have been provided for defining financial literacy. Hilgert, Hogarth, & Beverley (2003) define it in the simplest terms as "financial knowledge".

Lusardi and Mitchell (2014) define financial literacy as the ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions.

The Presidents Advisory Council on Financial Literacy (PACFL, 2008), defines financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing".

As per Mandell (2007) it is defined as "the ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests"

Thus, financial literacy may be meant to imply sufficient knowledge of financial instruments so that consumers can make an informed choice for their ultimate financial wellbeing.

Numerous studies highlight the strong association between financial literacy and improved financial outcomes, such as enhanced savings behaviour, responsible credit use, and long-term security (OECD, 2023; World Bank, 2022). Conversely, financial illiteracy is correlated with higher susceptibility to debt traps, financial fraud, and poor investment decisions (Lo et al., 2023).

In recent years, social media platforms have emerged as influential but problematic channels for financial advice. Platforms such as TikTok, Instagram, and YouTube host an ecosystem of "finfluencers" who provide simplified guidance on complex financial instruments. While this democratizes access to information, it also blurs the boundaries between credible financial education and unverified, often misleading advice. Lo et al. (2023) find that as much as 71% of online financial content is misleading or incomplete, while the CFA Institute (2025) reports that finfluencer-driven investment decisions in India often lack adequate disclosure of conflicts of interest.

This raises important questions about bounded rationality (Simon, 1955), which suggests that consumers make decisions within cognitive and informational limits. Social media amplifies these limitations by presenting an overwhelming volume of stimuli, often framed to appeal to emotions and heuristics rather than rational deliberation. The Stimulus-Response (SR) model of buyer behaviour (Kotler et al., 2023) provides a useful lens to analyse this process: stimuli (social media content) enter the consumer's "black box" (attitudes, biases, cognitive limits), producing a response in the form of financial decisions. Without sufficient financial literacy, these responses are likely to be suboptimal.

Thus, the literature highlights a gap: while consumer behaviour theories account for rational limits, they do not fully incorporate the mediating role of financial literacy in filtering and evaluating social media financial content. Existing research has mostly considered financial literacy as a determinant of financial outcomes, independent of social media. Further, studies on social media and financial advice have not sufficiently integrated these insights with established consumer behaviour theories. This paper addresses that gap by integrating financial literacy as a mediator into the SR model, thereby extending consumer behaviour theory into the digital age.

THEORETICAL BACKGROUND AND CONCEPTUAL FRAMEWORK

The theoretical background of this study is derived from two theoretical foundations viz. The Stimulus-Response Model and the Bounded Rationality Theory, further enriched by recent extant literature. The Stimulus-Response (SR) Model posits that stimuli from the external environment enter impact on the buyer characteristics and his decision-making processes. The interplay of the stimuli with buyer's " cognitive black box" eventually leads to a response or decision. We attempt to strengthen the decision process in the Stimulus-Response Model with the "bounded rationality" argument (Simon, 1955). The Bounded Rationality Theory helps to add depth to the Stimulus-Response (SR) Model by recognizing that individuals operate under various constraints such as limited cognitive capacity, incomplete information, and time pressure which impact their decision making process. We complement these theories with the study by NCAER and SEBI (2011) which reports that decisions based on informal information are most likely to be sub-optimal.

In addition, financial literacy is intrinsically related to financial wellbeing. The skill of financial literacy is expected to lead to a "lifetime of financial wellbeing" by the U.S. based Presidents Advisory Council on Financial Literacy (PACFL, 2008). This council was set up in 2008 by President George W. Bush to provide recommendations for educating people regarding managing their financial matters for a better future especially in the aftermath of the sub-prime mortgage crisis that crippled the economy (The White House, 2008). We thus, attempt to explore the impact of social media on financial decision making and wellbeing through the perspective of financial literacy.

Thus, drawing upon all of the above, this paper utilises a dual theoretical approach:

1. Stimulus-Response (SR) Model of Buyer Behaviour (Kotler et al., 2023).

The SR model suggests that external stimuli (marketing messages, peer recommendations, or in this case, financial advice on social media) are processed through a consumer's "black box" of psychological and social characteristics, ultimately shaping decision making responses.

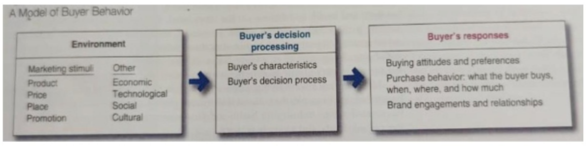

Figure I : Stimulus-Response Model of Buyer Behaviour (Source: Kotler et al., 2023)

2. Bounded Rationality (Simon, 1955).

Herbert Simon's theory of bounded rationality posits that individuals are not fully rational actors but operate under conditions of limited information, cognitive biases, and time constraints. In the context of social media, these limitations become more pronounced as consumers face an abundance of unverified financial advice that appeals to heuristics such as authority, popularity, or urgency.

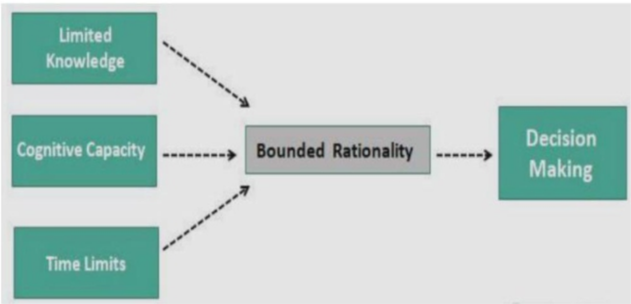

Figure II : Bounded Rationality Theory

CONCEPTUAL FRAMEWORK

This paper attempts to propose a conceptual framework based on the Stimulus-Response Model and the Bounded Rationality Theory, further enriched by recent extant literature.

The Bounded Rationality Theory developed decades ago when computers, internet and social media barely existed among the masses. But today with these technologies, information is readily available right in the hands of buyers. However, this information may or may not be reliable. We thus add to the Bounded Rationality Theory by contending that in the age of abundant advice on social media, misleading information is another highly relevant constraint in addition to the constraint of incomplete information. Various studies in behavioural economics further demonstrate that financial decision-making is influenced by various biases such as overconfidence, framing effects, and herd behaviour (Kahneman & Tversky, 1979). In modern times, social media may exacerbate the tendency towards probability weighting wherein they might overreact to small probabilities (of gains).

Recent literature also supports these phenomena wherein social media influences bias and decision making. Liu and Jin (2025) conclude that exposure of consumers to influencers positively influences herd behaviour, further impacting impulse buying. This is supported in the study by Yoon and Oh (2022) who demonstrate that social media has a significant impact on the herding behaviour of individual investors.

Integrating Financial Literacy as Mediator

Some studies go further and explore interventions for reducing the bias for better decision making. Zhang et al. (2021) point that if better external information is provided it reduces the herd behaviour of buyers. Another intervention is suggested by Sathya and Prabhavathi (2024) in the form of managing social media use for better investment decision making. Their study confirmed the direct and mediating impact of risk perception between social media use and investment decision making. Compen et al. (2022) study the impact of warning messages in reducing biases related to herding. They conclude that such an intervention was ineffective and recommend considering other ways for reducing the bias. NCAER and SEBI (2011) reports also state that informal sources of information are likely to lead to sub-optimal decisions by a consumer.

Drawing from these studies, we attempt to explore the role of financial literacy as an mediating intervention to reduce bias. We thus, add to literature by proposing financial literacy as a mediator between the external stimuli and the buyers black box of decision making.

This paper argues that financial literacy functions as a mediator (see Figure III) between the stimulus (social media financial advice) and the consumer response (financial decisions). Financial literacy enables consumers to filter, interpret, and critically assess the credibility of financial advice, thereby improving decision outcomes and financial wellbeing.

Consequent to the above, the paper proposes that consumers who make investment decisions based primarily on social media sources are most likely to make sub-optimal choices. However, in the presence of some reliable financial understanding in the form of financial literacy, buyers can intelligently process the information from social media can make better decisions that are optimal for their requirements. Thus, financial literacy acts as a mediator between the unorganised and frequent ill-matched or wrong advice and the buyer to finally lead to optimal decisions.

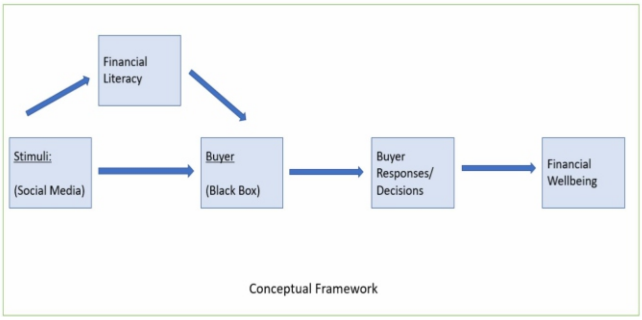

Figure III: Proposed Conceptual Framework

Thus, two decision pathways emerge from this framework:-
The Two Decision Pathways:

• Path A (Without Financial Literacy): Social Media Financial Content (Stimulus) → Consumer Black Box (Bounded Rationality + Biases) → Suboptimal Decisions → (Reduced) Financial Wellbeing
• Path B (With Financial Literacy as Mediator): Social Media Financial Content (Stimulus) →Financial Literacy (Mediator) → Consumer Black Box (Informed Processing) → Optimal Decisions →(Enhanced) Financial Wellbeing

Based on these pathways we put forth the two propositions as follows:-

• P1: (Without Financial Literacy): When exposed to financial advice on social media, consumers with low financial literacy are more likely to rely on heuristics and bounded rationality, resulting in suboptimal financial decisions and reduced financial wellbeing.

• P2: (With Financial Literacy): When exposed to financial advice on social media, consumers with higher financial literacy are better able to filter, interpret, and critically assess the information, resulting in more optimal financial decisions and enhanced financial wellbeing

DISCUSSION

UNESCO (2023) underscores the importance of developing information literacy which is the ability to "seek, evaluate, use and create information effectively to achieve their personal, social, occupational and educational goal." This is considered more relevant in a digital world and is related to two other capabilities, computer literacy and media literacy. We contend that in the context of financial wellbeing all these three converge to form the competency of financial literacy.

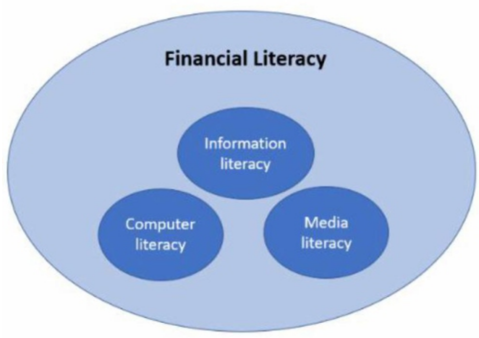

Figure IV: Financial literacy and it's relation to other forms of literacies

The proposed conceptual framework for the decision pathways mediated by financial literacy (Figure III) highlights how the interplay between social media stimuli and bounded rationality leads to divergent financial decision outcomes, depending on the presence of financial literacy. Consumers thus try to make sense of the social media information through their financial literacy competency encompassing information, computer and media literacy. To ground this framework, we turn to real-world cases, distinguishing between the Indian scenario and the global scenario.

The Indian Scenario

India has seen the rapid rise of finfluencers who shape retail investors' decisions, particularly among younger demographics. A CFA Institute (2025) study reveals that a significant proportion of Indian retail investors follow finfluencer advice, often without disclosures of conflicts of interest. This reliance exemplifies how consumers' bounded rationality interacts with misleading stimuli.

Regulatory action reflects the scale of the problem. SEBI reported the removal of over 70,000 misleading social media posts and accounts between October 2024 and March 2025 (SEBI, 2025; Economic Times, 2025). Such actions underscore the volume of misinformation and its potential impact on market stability.

At the same time, finfluencers' relatability and peer-like presentation resonate strongly with audiences (Ramaswamy, 2023). While this accessibility democratizes financial knowledge, it also deepens susceptibility to heuristics, and popularity and simplicity substitute for analytical rigor. In this context, financial literacy becomes a critical corrective mechanism, enabling individuals to distinguish between genuine advice and misleading claims.

The Global Scenario

Globally, similar risks have emerged. In the United States, the SEC fined Kim Kardashian in 2022 for promoting a cryptocurrency without disclosure, illustrating how celebrity influence can distort decision-making (SEC, 2022). In the United Kingdom, the FCA (2021) found that many TikTok investment promotions exaggerated benefits while downplaying risks. Meanwhile, the ASIC (2022) in Australia issued guidance to prevent unlicensed finfluencers from offering financial advice.

Empirical studies echo these concerns. Lo et al. (2023) document that 71% of global financial content on TikTok and YouTube is misleading or incomplete, confirming that misinformation is systemic. These findings mirror India's experience, suggesting a global convergence in the risks posed by unregulated financial stimuli.

Across various developments, the pattern is consistent: unregulated financial advice overwhelms consumers, bounded rationality constrains critical assessment, and outcomes vary depending on financial literacy. Such unregulated financial advice may also invite legal interventions such as those illustrated in Table I below. The proposed framework therefore offers a pathway to both explain and mitigate these risks.

Table I: Recent regulatory actions taken against deceptive unregulated online financial advice

Source	Key Findings / Data	Relation to Conceptual Framework
SEBI removes over 70,000 misleading posts/accounts (March 2025)	SEBI said that since October 2024, it has worked with social platforms to remove more than 70,000 misleading social media posts and accounts from unregistered investment advisors or research analysts.	This is strong evidence of stimulus (misleading content). It implies the regulatory concern that many consumers might be responding to low-quality or misleading financial advice. Highlights scope of the problem in India.
CFA Institute "Clicks & Credibility: Understanding Finfluencers' Role…" (India)	Survey of 1,615 retail investors and content review of 51 finfluencers. Some findings:- only 2% of finfluencers are SEBI-registered; 8% of followers report being misled; many influencers give explicit stock recommendations; 63% did not disclose sponsorships/affiliations.	Shows both the lack of mediator (financial literacy / verifying credentials) and that consumers often act without adequate checks.
SEBI flags 8,890 misleading securities-market posts	SEBI has reported almost 8,890 instances of unlawful or misleading content related to securities markets, notifying social platforms to take legal action.	shows concrete example of misleading stimulus; connects to how the black box (consumer cognitive filters) may fail in many such cases.
CFA Institute	The CFA Institute report shows around 98% of finfluencers are not SEBI-registered, yet many provide buy/sell recommendations.	in many cases, the mediator (financial literacy or regulatory verification) is absent, so responses to stimuli are potentially sub-optimal.
SEBI warnings about fake/unverified advice via social media	Multiple SEBI advisories giving warnings to investors about unregistered financial advice, fake registration claims, interference by impersonation, promises of guaranteed returns, etc. Platforms include WhatsApp, Telegram, YouTube, etc.	These are real examples of poor stimuli and poor filtering.
UK 'Finfluencers' Unauthorised Trading Advice	Reality TV stars from shows like Love Island and The Only Way Is Essex were charged by the UK's Financial Conduct Authority (FCA) for promoting unauthorized foreign exchange trading contracts (CFDs) on Instagram, without proper authorisation.	This is a vivid example of Stimulus (social media content) being unqualified / unregulated, leading to possible suboptimal decisions. It shows how the absence of financial literacy or regulatory oversight (mediator missing) can lead consumers astray.
Kim Kardashian / EthereumMax (EMAX) Crypto Token Promotion	Kim Kardashian was fined by the U.S. Securities and Exchange Commission (SEC) for promoting the crypto token EthereumMax on her Instagram feed without disclosing that she was paid for the promotion. Followers may have been led to invest under the assumption of unbiased endorsement.	This illustrates lack of transparency in stimulus, which can mislead risk perception. It ties to behavioural biases (overconfidence, trust in celebrity). If followers lack financial literacy, they might not scrutinize the advice. It shows how the "black box" might lead to suboptimal response.
ASIC Warnings to Finfluencers in Australia	The Australian Securities and Investments Commission (ASIC) issued warnings to 18 social media finfluencers for giving financial advice without qualifications, often via Instagram, TikTok, Facebook, private messaging, etc. Many lacked regulatory credentials.	Again, stimulus is present but the mediator (financial literacy among consumers) is often absent. Shows risk of response distortion due to trust without verification. Also emphasizes risk perception issues.
TSB Survey: Losses from Social Media Financial Advice (UK)	A UK survey (by TSB) found that among people who followed or acted on financial advice seen on social media, more than half lost money. 55% lost money; many didn't know how to verify credibility.	Direct empirical support that with stimulus and low literacy (or low ability to assess), the response (decision) tends to be suboptimal. Highlights the importance of financial literacy as mediator.
"Riskiest Platforms" Report on Misleading Posts (Gen Z / Millennials)	A report found that ~71% of "financial advice" content consumed by Gen Z & Millennials on platforms like YouTube, Instagram, TikTok is misleading. Also, only 13% of the influencers had relevant financial credentials. TikTok ranked highest in problematic content. Many posts encourage stock tips without disclaimers, promise guaranteed returns, etc.	Demonstrates how the stimulus often lacks disclaimers or qualification. Risk perception is likely distorted. Biases (optimism, overconfidence, short-termism) get amplified. If consumers have financial literacy, they can detect and filter; if not, likely poor decision outcomes.

In the wake of emergence of numerous influencers in the financial area, or finfluencers as they are called the Advertising Standards Council of India (ASCI) released some guidelines for influencer advertising in 2023. ASCI is a voluntary self-regulatory association in the advertising sector. It is an association incorporated as a non-profit company under the Companies Act. It includes members from advertisers, advertising agencies, media houses, and allied professions with the aim of self-regulation in advertising. Various government bodies such as Department of Consumer Affairs (DCA) have partnered with ASCI for regulating misleading advertising. According to ASCI any advertisement by social media influencers must include a statement of disclosure label that identifies it as an advertisement. It also states the need for disclosure if there is any material connection between the advertiser and the influencer.

However, the ASCI codes are voluntary and it is dependent on the influencer/finfluencer whether they comply with that or not. As a result, SEBI has introduced certain regulations to regulate the finfluencers in the financial area. SEBI brought out a SEBI consultation paper based on which certain regulations pertaining to finfluencers have been made effective from August 29, 2024. These are not voluntary like the ASCI codes but carry regulatory weight. These rules aim to prevent regulated financial entities from associating with unregistered finfluencers. Further, finfluencers are required to obtain SEBI approval in order to provide any investment advice or to make any performance claims (ET, 2024). These regulations aim to disrupt the revenue model of such unregistered finfluencers in order to protect the viewers from any unauthorised advice. SEBI recognised four sources of income for influencers that they may get from various advertisers: referral fee for usage, benefits in kind, direct compensation from the social media/digital platform or any other income based on a profit-sharing model with the advertising company.

Some of the recent measures taken by SEBI are as follows:

a) Individuals providing financial advice to register with SEBI
b) Registered advisors to register on social media for verification
c) Mandating digital platforms to regulate financial content
d) A UPI handle (Payright UPI) proposed for receiving payments by registered advisors
e)Prohibiting organisations regulated by SEBI to refrain from associating with unregistered finfluencers.
f) Restricting the usage of live stock data by finfluencers (minimum three-month lag specified)
g) Guidelines requiring deposit, qualification and certification by registered financial advisors

Another case is of action taken by SEBI on Asmita Patel a finfluencer known as the "she-wolf of the stock market". Based on complaints filed against her, SEBI forfeited Rs 536 million (53.6 crores) and banned her channel few other associated entities for providing financial advice services disguised as educational services in the name of Asmita Patel Global School of Trading. They were also making false claims about managing a huge portfolio of Rs. 1400 million (140 crores).

Though the Internet can be a source of learning and sharing knowledge which can be helpful to the viewers, but in many instances for complex decisions, either the advice of a qualified advisor may be required, or the viewer should be literate enough to understand that the advice may not be useful or correct. Thus, in spite of these rules being effective, the presence of various finfluencers seems to be increasing day by day. A report by CFA Institute found that only 2% of the finfluencers are actually registered with SEBI. About 8% of followers also reported being misled and about 63% of finfluencers did not even disclose any sponsorships or affiliations.

IMPLICATIONS

The findings and propositions advanced in this paper carry significant implications at theoretical, managerial, policy, and societal levels.

Theoretical Implications

By positioning financial literacy as a mediator in the stimulus-response model, this paper extends consumer behaviour theory into the digital era. It demonstrates the enduring relevance of bounded rationality while offering a new lens for understanding decision-making in environments of information overload as opposed to traditional models of inadequate information.

Managerial Implications

Financial institutions and fintech firms should not treat literacy initiatives as peripheral CSR activities but as core components of business strategy. Embedding financial education in product design, offering transparent product comparisons, and partnering with credible influencers can enhance consumer trust and reduce reputational risks. Social media platforms especially have an important role to play in monitoring and regulating such content on their platforms. Content that does not meet ASCI or SEBI regulations may even need to be taken down.

Policy and Regulatory Implications

While regulators such as SEBI, FCA, SEC, and ASIC have acted against misleading financial content, these actions must be supplemented by systemic literacy initiatives. Policies mandating disclosure standards for finfluencers, certification for financial content creators, and stronger partnerships between regulators and platforms can create safer digital financial ecosystems. Apart from this, stricter action on non-compliance and wider communication about the actions taken need to be undertaken.

Societal and Educational Implications

At the societal level, financial literacy is foundational to long-term financial security. Misleading advice erodes household stability, savings, and retirement security. Embedding financial literacy in school and university curricula is therefore a critical long-term intervention. OECD (2023) and World Bank (2022) evidence shows that countries integrating financial education into curricula demonstrate higher saving discipline and resilience against fraud. In India, the National Strategy for Financial Education (2020–2025) identifies this need, but implementation remains uneven (RBI, 2020). Integrating financial literacy into general education modules beyond commerce and economics can prepare individuals across disciplines to critically evaluate financial stimuli. This not only mitigates the risks of social media misinformation but also cultivates a generation of informed and confident financial decision-makers. This also underscores its relevance for focusing on consumer protection measures in the financial services sector by the regulatory bodies.

As per NCAER and SEBI (2011) a large number (43%) investors prefer to invest in mutual funds and then secondary markets (22%). Also, the study notes that investors face the problem of inadequate information about the investment choices available in the market. In this scenario a large responsibility is placed on the Mutual Fund sector to intervene and provide authentic guidance to investors to enable them to avoid falling prey to unscrupulous influencers.

Further, the enhanced decision making has implications not only at the individual consumer level but also at the national level. Financial literacy builds capabilities for achieving sustainable and inclusive development (Chibba, 2009). More specifically, financial literacy contributes to SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities) among others.

This paper thus highlights the pathways that will help investors in making decisions that are beneficial to them creating more trust in the financial sector and ultimately positively impacting sustainable and inclusive development.

LIMITATIONS OF THE STUDY

While this paper offers a conceptual framework integrating financial literacy into the stimulus–response model of buyer behaviour, it is not without limitations. First, the framework is conceptual rather than empirical, and therefore requires validation through quantitative or mixed-method research across different demographic and cultural contexts. Qualitative studies may also be undertaken to explore the propositions in-depth based on the propositions. Second, the discussion of real-world cases relies on secondary data sources such as regulatory reports and media accounts, which may not capture the full complexity of individual decision-making processes. Finally, the rapidly evolving nature of social media platforms and financial products means that the risks and patterns described here are dynamic, and future research will need to account for emerging technologies, algorithms, and regulatory shifts.

CONCLUSION

The growing dominance of social media as a source of financial information has created a double-edged reality: while access to investment ideas and financial advice is now more democratic than ever, the risks of misinformation, mis-selling, and herd-driven decision-making have also escalated. This paper has highlighted the vulnerability of consumers who, despite being highly educated or earning substantial incomes, often fall prey to suboptimal financial choices due to limited financial literacy and the persuasive nature of online content.

By situating financial literacy as a mediator within the stimulus–response model of buyer behaviour, and grounding the analysis in the lens of bounded rationality, this study contributes to theory by showing how classical models of decision-making remain relevant in the digital era. It extends consumer behaviour frameworks by explicitly accounting for the role of social media stimuli and the mitigating power of financial literacy in shaping more informed and optimal financial decisions.

The contribution of this work is not limited to theory. At a practical level, it emphasizes that financial literacy is both a protective mechanism and an enabling capability. For managers and financial institutions, this calls for integrating literacy-building measures into product design and outreach. For policymakers, it underscores the importance of robust regulations around finfluencers and greater accountability of financial content online. Most critically, for society and education systems, the study argues for embedding financial literacy into school and university curricula. Such early and structured exposure equips individuals to critically evaluate financial claims, safeguard against fraud, and develop lifelong skills for managing personal finance effectively. By cultivating a generation of informed, confident, and resilient financial decision-makers, society as a whole benefits from enhanced financial wellbeing and stability in addition also contributing to sustainable and inclusive development.

In sum, this paper makes the case that financial literacy must be reframed not as an optional life skill but as a foundational capability that enables individuals to navigate the complexities of a digital financial ecosystem. The integration of financial literacy into consumer behaviour theory, managerial practice, regulatory frameworks, and educational policy offers a comprehensive pathway for strengthening financial wellbeing in an age dominated by social media advice.

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