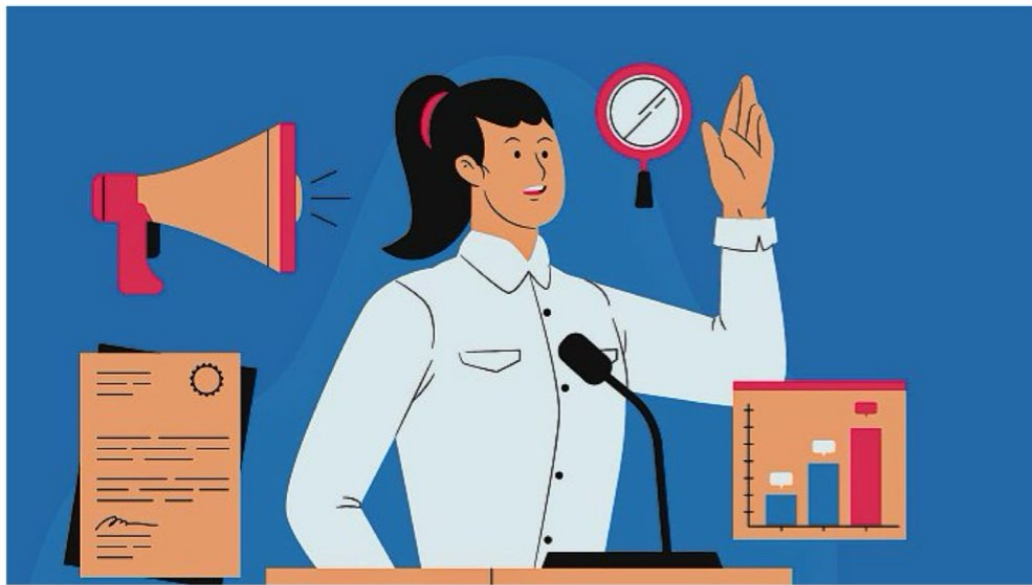


INSIGHTS FROM CFA SOCIETY SINGAPORE

The power of clicks, likes, and shares: Promote the right kind of financial content

Social media can serve as a powerful tool for financial literacy and democratise access to investment knowledge. **By Alfonso Ricciardelli and Pedram Parhizkari**



Social media platforms reward the loudest financial influencers who make the most extraordinary claims, because they drive traffic and elicit large volumes of likes and shares.

ILLUSTRATION: PIXABAY

gain higher exposure. This is intuitive: social media algorithms give enormous advantage to people who make loud announcements and extraordinary promises because their posts get clicks, likes, and shares.

This trend reaches its pinnacle in the crypto space, where scores of influencers with no knowledge, expertise, or credentials are not only recommending but sometimes also launching crypto “projects”. Some of these are nothing more than “new tech” Ponzi schemes, enabling backers to use their “influencer” credibility to “pump and dump” newly minted coins. They gain followers by touting schemes to “play” the stock market and achieve unbelievable returns.

Popular knowledge sharers, on the other hand, gain followers by being entertaining and helpful, teaching skills such as building power point presentations.

The danger is that non-relevant, often misleading, information will crowd out genuine financial education and knowledge.

Creating a space for knowledge sharers

Financial education is an area in which social media could provide enormous benefit for society at large, but this can only truly happen if knowledge sharers with genuine interest in educating users are valued and promoted. We need to click, like, and share their content and ignore the content creators with exaggerated claims.

The most important pillar in discerning insightful educators from noisy charlatans is the ability to evaluate information. While engagement and likeability are key for social media success, insightful educators tend to be more transparent and grounded with their views.

Social media can serve as a powerful tool for financial literacy and democratise access to investment knowledge, rather than promulgate exploitation and misinformation. Perhaps launching new platforms built solely for educational purposes is the answer?

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FINANCIAL influencers, aka finfluencers, have amassed an enormous following on social media, particularly among Gen Zs aged 18 to 25. Some finfluencers leverage social media to promote sound financial education, thereby providing significant benefit for society at large. But some others are bad actors, doling out questionable advice for monetary gain or social media fame.

Our job as a community is to promote content creators who have a genuine interest in financial education and knowledge sharing. This is easier said than done. Social media platforms reward the loudest finfluencers who make the most extraordinary claims, because they drive traffic and elicit large volumes of likes and shares.

A recent academic study analysed more than 29,000 tweets on the X platform and found that some financial content creators have “negative skill”. These “anti-skilled” finfluencers have more followers and more influence than skilled financial content creators, they point out.

The authors from the University of California, Berkeley, Louisiana State University, and Swiss Finance Institute-HEC Lausanne, maintain that there could be economic benefits to taking investment positions against the recommendations of “anti-skilled” finfluencers. The implication is that the poor quality of their advice can be so consistent that betting against it may be profitable.

The authors found that 28 per cent of finfluencers are skilled, generating 2.6 per cent monthly abnormal returns; 16 per cent are simply unskilled; and 56 per cent are “anti-skilled” generating -2.3 per cent monthly abnormal returns.

They conclude that social media users often follow finfluencers not based on their financial acumen as demonstrated through their posts but due to behavioural biases – namely, the tendency to follow advice that aligns with their own pre-existing beliefs or behavioural traits. They caution that bad actors can harm investors and distort market functioning.

Influencers, knowledge sharers, thought leaders

But not all financial content creators on social media are created equal. A broad differentiation can be made between influencers, knowledge sharers, and aspiring thought leaders.

An influencer’s goal is to gain followers to generate revenues from endorsements. An influencer constantly pushes to become “more viral” – for his or her content to be liked, shared, and engaged with.

A knowledge sharer, on the other hand, is someone who divulges tangible knowledge with the goal of educating others. Knowledge sharers may seek to monetise their efforts via subscriptions to online classes, book sales, and newsletter subscriptions.

Financial professionals such as Mohamed El-Erian harness LinkedIn to showcase their thought leadership. Young professionals do the same, creating quality educational content with the hopes of elevating their careers. Some – such as Ignacio Ramirez Moreno – collaborate with CFA Institute Research and Policy Centre to highlight the importance of promoting the right kind of financial content on social media.

While the capacity to engage users is a goal for everyone using social media, charlatans tend to