

Ethical Concerns and Transparency in Influencer Marketing in India: A Consumer Perspective

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Abstract

Influencer marketing has rapidly become a significant component of digital marketing in India, driven by the widespread use of social media and the perceived authenticity of influencers. This study examines the evolution of influencer marketing in India, highlighting the ethical concerns that have emerged alongside its growth, such as misleading endorsements, lack of disclosure, and authenticity issues. The study also addresses the impact of these ethical breaches on consumer trust and the effectiveness of influencer marketing campaigns. Regulatory frameworks, such as the guidelines from the Advertising Standards Council of India (ASCI), are evaluated for their role in promoting transparency and ethical practices. The findings emphasize the importance of enhancing transparency, strengthening regulatory oversight, and promoting ethical guidelines among influencers and brands to sustain the effectiveness of influencer marketing. Future research should focus on the long-term effects of ethical breaches and the role of consumer education in promoting ethical consumption behaviours.

Keywords: Influencer marketing, ethical concerns, transparency, consumer trust, regulatory frameworks

Background of Influencer Marketing in India

Influencer marketing has rapidly emerged as a powerful tool in India's digital marketing landscape, reshaping how brands engage with consumers. With the exponential growth of social media platforms like Instagram, YouTube, and Twitter, influencers—individuals with substantial online followings—have become pivotal in shaping consumer behaviour. These influencers range from celebrities and industry experts to everyday individuals who have garnered significant online influence due to their expertise, lifestyle, or engaging content.

The rise of influencer marketing in India can be attributed to several factors. Firstly, the proliferation of smartphones and affordable internet access has led to a surge in social media usage across the country. According to a report by the Internet and Mobile Association of India (IAMAI), there were over 692 million active internet users in India by 2020, with a significant portion of them active on social media platforms (IAMAI, 2020). This extensive reach has made social media an attractive channel for brands to connect with potential customers.

Secondly, the trust and relatability associated with influencers have been crucial in driving this marketing approach. Unlike traditional celebrities, influencers are often perceived as more authentic and accessible, which fosters a sense of trust among their followers (Hughes, Swaminathan, & Brooks,

2019). This trust translates into higher engagement rates and more effective marketing campaigns, as consumers are more likely to be influenced by recommendations from individuals they follow and admire.

Moreover, the diverse cultural landscape of India has led to the emergence of niche influencers catering to specific regions, languages, and interests. This allows brands to target highly specific audience segments, making influencer marketing a versatile and effective strategy. For instance, regional language influencers have gained prominence, enabling brands to tap into local markets with greater precision (Kumar & Gupta, 2020).

The effectiveness of influencer marketing in India is also evident from its growing share in marketing budgets. A survey by GroupM in 2019 revealed that 65% of Indian brands planned to increase their influencer marketing budgets, recognizing its potential to drive brand awareness and sales (GroupM., 2019).

However, the rapid growth of influencer marketing has also brought challenges, particularly regarding ethical practices and transparency. The increasing commercialization of influencer content has raised concerns about the authenticity of endorsements, leading to calls for more stringent regulations (Sharma & Verma, 2021). Despite these challenges, influencer marketing continues to thrive in India, evolving as a key component of modern marketing strategies.

Introduction

Influencer marketing has emerged as a dominant force in the Indian advertising landscape, leveraging the persuasive power of social media influencers to shape consumer attitudes and behaviours. With the rise of digital platforms like Instagram, YouTube, and TikTok, brands increasingly rely on influencers to reach vast audiences, particularly among younger demographics such as Millennials and Gen Z (Singh & Pandey, 2021). These influencers, who range from celebrities to micro-influencers with niche followings, have become key intermediaries in the brand-consumer relationship, offering endorsements that are often perceived as more authentic and relatable than traditional advertising (Kaur, 2020). However, the rapid growth of influencer marketing in India has brought to the forefront significant ethical concerns, particularly regarding transparency, authenticity, and the potential for consumer manipulation.

One of the primary ethical concerns in influencer marketing is the lack of transparency regarding paid promotions. Often, influencers do not clearly disclose their financial relationships with brands, leading consumers to perceive these endorsements as genuine personal recommendations rather than paid advertisements (Pahwa, 2019). This lack of disclosure can erode trust, as consumers may feel deceived when they discover that their favourite influencers are financially motivated to promote certain products. The Advertising Standards Council of India (ASCI) introduced guidelines in 2021, mandating clear and prominent disclosure of sponsored content (ASCI, 2021). However, compliance remains inconsistent, and many influencers either neglect or obscure these disclosures, raising questions about the effectiveness of self-regulation in the industry (Patel & Mehta, 2022).

The issue of authenticity is closely related to transparency and is another significant ethical challenge in influencer marketing. Authenticity is the cornerstone of an influencer's relationship with their audience; followers trust influencers because they believe their opinions are genuine and unfiltered. However, when influencers promote products solely for financial gain, without actually using or endorsing the product in their personal lives, the authenticity of their endorsements comes into question (Banerjee,

2021). This perceived inauthenticity not only damages the credibility of the influencer but also undermines consumer trust in the brand being promoted. In India, where the influencer market is still relatively nascent, the long-term sustainability of influencer marketing may be jeopardized if these authenticity concerns are not addressed (Khan & Roy, 2020).

Another ethical concern is the potential for consumer manipulation, particularly among younger and more impressionable audiences. Influencers wield significant power over their followers, often setting trends and shaping opinions on a wide range of topics, from fashion and beauty to health and wellness. This influence can be problematic when it is used to promote products that may not be in the best interest of consumers, such as unhealthy foods, dubious health supplements, or expensive luxury goods that may encourage overspending (Chaturvedi & Sharma, 2021). In India, where consumer protection laws are still evolving in response to the digital economy, there is a growing need for stricter regulations to protect consumers from misleading or harmful influencer marketing practices (Gupta & Bhattacharya, 2021).

The intersection of ethical concerns and transparency in influencer marketing in India also highlights broader issues related to digital literacy and consumer awareness. While urban, tech-savvy consumers may be more adept at recognizing sponsored content and navigating the complexities of influencer marketing, rural and less digitally literate consumers may be more vulnerable to deceptive practices (Singh V. , 2021). This digital divide exacerbates the ethical challenges associated with influencer marketing, as it creates a disparity in the level of protection and empowerment available to different segments of the Indian population.

In conclusion, while influencer marketing offers significant opportunities for brands to engage with consumers in meaningful and innovative ways, it also raises critical ethical questions that must be addressed to ensure its sustainability. Transparency and authenticity are key to maintaining consumer trust, and there is a pressing need for more robust regulatory frameworks and industry self-regulation to address these issues (Chaudhary, 2022). As influencer marketing continues to evolve in India, balancing the interests of brands, influencers, and consumers will be essential to fostering a more ethical and transparent digital marketing ecosystem.

Literature Review

Evolution of Influencer Marketing

Influencer marketing has rapidly evolved from a niche tactic to a mainstream strategy within digital marketing. Initially, brands relied on celebrity endorsements to reach wide audiences, but with the rise of social media platforms like Instagram, YouTube, and TikTok, everyday individuals with substantial followings—often referred to as micro and macro-influencers—have become key players in marketing campaigns. Influencers are perceived as more relatable and trustworthy than traditional celebrities, which has driven their popularity among brands looking to connect with specific target audiences (Lou & Yuan, 2019). According to (Freberg et al., 2011) influencers serve as opinion leaders who shape consumer attitudes and behaviours, making them integral to modern marketing strategies. The evolution of influencer marketing reflects broader shifts in consumer behaviour, where trust in peer recommendations and user-generated content often surpasses trust in corporate advertising (Boerman & Van Reijmersdal, 2020).

Ethical Issues in Influencer Marketing

As influencer marketing has grown, so too have concerns about its ethical implications. One of the prim-

ary ethical issues is the potential for influencers to engage in misleading endorsements, where they promote products or services without genuinely using or believing in them. This practice undermines consumer trust and can lead to negative perceptions of both the influencer and the brand (Evans et. al., 2017). Additionally, the lack of transparency and disclosure in influencer marketing has been a significant concern. Many influencers fail to clearly disclose their relationships with brands, making it difficult for consumers to distinguish between genuine recommendations and paid promotions (Martínez-López et. al., 2020). This lack of transparency can lead to consumer deception and has prompted regulatory bodies, such as the Federal Trade Commission (FTC) in the United States, to implement guidelines requiring clear disclosure of sponsored content (FTC, 2019).

Misleading Endorsements

Misleading endorsements are a prevalent ethical issue in influencer marketing, where influencers promote products or services they do not genuinely support. Such practices can deceive consumers into purchasing products based on false or exaggerated claims, leading to consumer dissatisfaction and erosion of trust (Hughes et al., 2019)). For instance, influencers may endorse products solely for financial gain without providing an honest assessment of their quality or effectiveness. This issue is compounded by the lack of regulation and oversight in the industry, allowing misleading endorsements to proliferate. Research by (Campbell & Farrell, 2020) suggests that misleading endorsements not only harm consumer trust but also have long-term negative impacts on brand credibility and reputation.

Lack of Disclosure and Transparency

The lack of disclosure and transparency in influencer marketing is a critical ethical concern. Influencers often fail to disclose their financial or material relationships with brands, leading consumers to believe that endorsements are organic and unbiased. This lack of transparency can deceive consumers and violate their trust, as they may be unaware that the content they are viewing is paid advertising (Boerman & Van Der Aa, 2017). Studies have shown that clear disclosure of sponsored content positively influences consumer perceptions of both the influencer and the brand, fostering trust and credibility (Lu et al., 2021). However, despite the benefits of transparency, many influencers and brands continue to neglect proper disclosure, which can result in regulatory actions and damage to their reputations.

Authenticity and Trust Concerns

Authenticity is a key factor in the effectiveness of influencer marketing, as consumers are more likely to engage with content that appears genuine and trustworthy. However, the commercialization of influencer marketing has raised concerns about the authenticity of endorsements. When influencers engage in paid promotions without genuinely believing in the products or services they endorse, it can lead to a loss of trust among their followers (Audrezet et al., 2020). Authenticity and trust are closely linked; without perceived authenticity, influencers risk losing their credibility and influence. Research by Lou and Yuan (2019) indicates that consumers are more likely to trust influencers who maintain a balance between sponsored content and organic posts, highlighting the importance of authenticity in building and sustaining consumer trust.

Research Objectives: followings are the objectives of the study-

1. To examine the evolution of influencer marketing in India and identify key factors contributing to its growth and popularity in the digital marketing landscape.
2. To analyze the ethical challenges associated with influencer marketing, including misleading endors-

ements, lack of disclosure, and authenticity concerns, and their impact on consumer trust and brand credibility.

3. To evaluate the effectiveness of regulatory frameworks, such as the ASCI guidelines, in promoting transparency and ethical practices in influencer marketing, and to propose recommendations for enhancing these practices in the Indian context.

Regulatory Framework and Guidelines in India

India's regulatory framework for influencer marketing is evolving to address ethical concerns and enhance transparency. The Advertising Standards Council of India (ASCI) plays a significant role in this effort. In 2021, ASCI introduced guidelines specifically for influencer marketing, emphasizing the importance of clear and conspicuous disclosure of paid partnerships. These guidelines require influencers to label their content with specific tags such as "#ad" or "#sponsored" to ensure that consumers are aware of the commercial nature of the content. ASCI's guidelines are designed to protect consumers from misleading endorsements and to promote honest advertising practices (ASCI, 2021).

In addition to ASCI's guidelines, India's Consumer Protection Act, 2019, also addresses issues related to misleading advertisements and endorsements. Under this law, influencers and brands can be held accountable for false claims and deceptive practices that harm consumers. The Act empowers consumers to seek redressal for damages caused by misleading advertisements, and it imposes penalties on those who violate its provisions. This legal framework is crucial in ensuring that influencer marketing practices are fair and transparent, protecting consumer rights in the digital marketplace (CPA, 2019).

Together, ASCI's guidelines and the Consumer Protection Act provide a comprehensive regulatory framework for influencer marketing in India. These regulations aim to foster trust between consumers and influencers by promoting ethical marketing practices and holding influencers accountable for their endorsements.

Consumer Awareness of Influencer Marketing Practices

As influencer marketing has grown in popularity in India, so has consumer awareness of these practices. Consumers today are more informed and discerning about the content they consume online, especially regarding paid partnerships and sponsored content. According to a report by (KPMG, 2020), consumers are increasingly recognizing the commercial nature of influencer content, which has led to a greater demand for transparency. This awareness is crucial as it affects how consumers perceive influencers and the brands they promote.

Perception of Ethical Concerns

The rise of influencer marketing has brought with it significant ethical concerns. Consumers are becoming more critical of influencers who fail to disclose their partnerships, leading to accusations of dishonesty and manipulation. A study by (Tiwari & Roy, 2021)) found that a significant portion of Indian consumers view undisclosed influencer marketing as deceptive, damaging the trust between influencers and their audiences. This perception of unethical behaviour has made consumers more cautious and skeptical of influencer-endorsed products.

Misleading Content and Consumer Trust

Misleading content, particularly in the form of exaggerated claims or false endorsements, is a major issue in influencer marketing. When influencers endorse products that do not meet consumer expectations, it can lead to a significant loss of trust. According to research by (Singh & Saini, 2022),

misleading endorsements have a direct negative impact on consumer trust, which is difficult to rebuild once lost. This erosion of trust not only affects the influencer but also the brand, leading to long-term reputational damage.

Transparency in Disclosure Practices

Transparency in disclosure practices is vital for maintaining consumer trust. Influencers who clearly disclose their partnerships are more likely to be viewed as credible and trustworthy. ASCI's 2021 guidelines mandate that influencers use specific hashtags like #ad or #sponsored to ensure that their audience is aware of the commercial intent behind the content (ASCI, 2021). However, a study by (Jain & Sharma, 2022) suggests that despite these guidelines, many influencers still fail to disclose partnerships adequately, leading to ongoing consumer skepticism.

Impact on Consumer Purchase Decisions

The impact of influencer marketing on consumer purchase decisions is significant but contingent upon the level of trust and transparency. When consumers trust an influencer, they are more likely to consider their recommendations in their purchasing decisions. A survey conducted by (Roy & Bhattacharya, 2021) found that 60% of consumers in India have made a purchase based on an influencer's recommendation, but this figure drops significantly when transparency issues are perceived. This indicates that while influencer marketing can be effective, its success is heavily dependent on ethical practices.

Effectiveness of Regulatory Measures

Regulatory measures such as ASCI's guidelines and the Consumer Protection Act, 2019, have been implemented to address these ethical concerns. While these regulations are a step in the right direction, their effectiveness depends on enforcement and compliance. According to a report by KPMG (2021), many influencers and brands are still not fully compliant with these guidelines, reducing their overall impact. Continuous monitoring and stricter penalties may be required to ensure that these regulations effectively protect consumers.

Consumer Expectations and Ethical Marketing

Consumers today expect more than just product endorsements; they demand ethical marketing practices that respect their intelligence and autonomy. As highlighted by (Gupta & Verma, Consumer preferences in ethical influencer marketing: An Indian perspective., 2022), consumers prefer influencers who align with their values and who are transparent about their commercial relationships. Ethical marketing not only builds trust but also fosters long-term relationships between consumers, influencers, and brands. Meeting these expectations is crucial for the continued success of influencer marketing in India.

High-Profile Cases of Ethical Breaches

In recent years, several high-profile cases of ethical breaches in influencer marketing have drawn significant attention in India. One notable case involved a popular beauty influencer who endorsed a skincare product without disclosing that the promotion was sponsored. When users experienced adverse effects, the lack of transparency led to widespread criticism and damaged both the influencer's and the brand's reputations (Sharma & Gupta, 2021). Another case involved a fitness influencer who promoted a dietary supplement that was later found to have misleading claims about its benefits. The influencer's failure to verify the product's efficacy before endorsing it raised concerns about the ethical responsibilities of influencers in ensuring the accuracy of their endorsements (Patel R. , 2022).

Best Practices in Ethical Influencer Marketing

To maintain consumer trust and adhere to ethical standards, influencers and brands must follow best practices in influencer marketing. Transparency is paramount, with clear disclosures of sponsorships using appropriate hashtags such as #ad or #sponsored, as outlined by the Advertising Standards Council of India (ASCI, 2021). Additionally, influencers should only promote products they have personally used and believe in, ensuring that their endorsements are genuine and not misleading (Roy & Singh, 2020). Regularly engaging with followers and addressing their concerns transparently further strengthens trust. Brands, on the other hand, should conduct thorough background checks on influencers to ensure alignment with their values and target audience. By adhering to these best practices, both influencers and brands can foster long-term, ethical relationships with consumers.

Recommendations

To address ethical concerns in influencer marketing in India, several key recommendations can be implemented.

Enhancing Transparency in Influencer Marketing: Transparency can be significantly improved by mandating clear and conspicuous disclosures in all influencer content. Influencers should consistently use identifiable hashtags like #ad or #sponsored, in line with the guidelines set by the Advertising Standards Council of India (ASCI) (ASCI, 2021). Brands should also ensure that influencers adhere to these disclosure requirements to maintain consumer trust.

Strengthening Regulatory Oversight: Strengthening regulatory oversight is crucial for ensuring compliance with ethical standards. The ASCI and other relevant authorities should regularly monitor influencer marketing activities and impose penalties for non-compliance. Additionally, updating consumer protection laws to cover new digital marketing practices can help bridge the gap between evolving marketing trends and existing regulations (Kumar & Verma, 2022). Enhanced enforcement mechanisms will deter unethical practices and encourage responsible behaviour among influencers and brands.

Promoting Ethical Guidelines among Influencers and Brands: Promoting ethical guidelines is essential for fostering a culture of responsibility in influencer marketing. Educational campaigns and workshops can be organized to raise awareness among influencers and brands about the importance of ethical marketing practices. Brands should establish clear ethical standards for influencers, emphasizing the need for authenticity and honesty in endorsements (Rao & Sharma, 2020). Encouraging influencers to endorse products they genuinely use and believe in will help build trust with their audience and ensure long-term success in the industry.

Conclusion

This study has highlighted several critical aspects of ethical concerns and transparency in influencer marketing in India. Key findings reveal that a lack of transparency and ethical breaches, such as misleading endorsements and insufficient disclosure, significantly impact consumer trust and perceptions of influencer marketing (Kumar & Verma, 2022). These ethical lapses can lead to a loss of credibility for both influencers and brands, undermining the effectiveness of influencer marketing strategies. For marketers and influencers, the findings underscore the importance of maintaining high ethical standards to foster trust and long-term relationships with consumers. Adherence to clear disclosure practices, as outlined by the Advertising Standards Council of India (ASCI), is essential for

safeguarding consumer interests and ensuring transparency (ASCI, 2021). Regulators must also enhance oversight and enforcement to address the challenges posed by unethical practices in the rapidly evolving digital marketing landscape.

Suggestions for Future Research: Future research should explore the long-term impact of ethical breaches on consumer behaviour and brand loyalty. Additionally, studies could examine the effectiveness of various regulatory frameworks and self-regulatory initiatives in promoting ethical practices in influencer marketing. Investigating the role of consumer education in enhancing awareness and promoting ethical consumption behaviours would also provide valuable insights for policymakers and industry stakeholders (Rao & Sharma, 2020).

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