International Journal of Management, IT & Engineering
Vol. 14 Issue 03, March 2024,
ISSN: 2249-0558 Impact Factor: 7.119
Journal Homepage: http://www.ijmra.us, Email: editorijmie@gmail.com
Double-Blind Peer Reviewed Refereed Open Access International Journal - Included in the International Serial Directories Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate as well as in Cabell's Directories of Publishing Opportunities, U.S.A

Exploring Social Media's Influence on Retail Investors' Investment Decision-Making: A Primary Investigation

Anika*
Research Scholar
Institute of Management Studies and Research
Maharshi Dayanand University, Rohtak
Email- anikachugh42@gmail.com

Dr. Ashok Kumar**
Assistant Professor
Institute of Management Studies and Research
Maharshi Dayanand University, Rohtak
Email- ashok.verma1@yahoo.in

Abstract

The primary objective of this study is to systematically examine whether social media contributes to the development of biases in the decision-making processes of individual retail investors. The foundation of this research hinges on the observation that, in contemporary times, social media plays a pivotal role in the daily lives of individuals. Consequently, this investigation will meticulously explore the daily interactions of individuals on social media platforms and the valuable or impactful information they derive from these extensive and dynamic channels.To gather pertinent data, a questionnaire comprising 25 questions was meticulously crafted and distributed to 260 potential respondents. Subsequently, 204 responses were received and analyzed. The questionnaire encompassed inquiries into demographic particulars such as age, gender, marital status, and income. The latter section of the questionnaire delved into queries concerning the investment patterns and decision-making processes of retail investors. The Statistical Package for the Social Sciences (SPSS) was employed as the statistical tool for decoding and analyzing the acquired data.

Key words-Social Media, Investment, Decision making, Retail Investor.

Introduction

The idea that an individual's behavioral economic decision-making process has substantial support in several forms of research aims to understand the socio-psychological foundations of this process. According to (Lacalle, 2019), it conveys investors' feelings and their relationship to the actual economy. Traditional financial studies have tackled this topic in a unique way by emphasizing economic ideas that presuppose a person as a rational decision-maker who will choose the best course of action. (Schiffman& Kanuk2007).

The initial utilization of online social media centered around branding and marketing objectives. Entrepreneurial entities leveraged these platforms to monitor consumer discussions, gaining real-time insights into their preferences and requirements. It is evident that online social media platforms play a crucial role in disseminating information to diverse audiences, with a particular emphasis on individual investors.(Fang & Peress, 2009).

The current state of communication technology is on the verge of the singularity. Previously, people around the world employed a variety of communication methods and equipment, including the telephone, telegram, fax, printing, post letter, and others. (Kumari, n.d.) all forms of electronic communication that rely on computers and contemporary media, as opposed to conventional media, which includes written journalism, television, and radio, as a contrast.

However, today, communication might be carried out using just one platform, the Internet. In recent years, the evolution of social media platforms has provided researchers with an expanded opportunity to delve into the intricate behaviors of investors. Various online forums, blogs, and platforms serve as avenues for individuals to exchange thoughts, opinions, and information. Behavioral finance poses a challenge to the efficient market hypothesis by emphasizing the substantial impact of human emotion, sentiment, and mood on financial decision-making. In India, there were approximately 692 million internet users in January 2023. As of the start of 2023, approximately 48.7% of the population has internet access. These statistics underscore the significance of online social media as an increasingly crucial communication channel for individuals to express, connect, and interact with each other regarding their ideas, expressions, and opinions, given the widespread usage of these platforms. The media has a dual function; it both initiates and sets the stage for market movements (Shiller, 2000). The considerable potential of online social media suggests that it is poised to persist in revolutionizing global communications and interactions for both individuals and businesses. (Ngai et al., 2015)Online social media has evolved into a vital tool that investors utilize for making informed investment decisions. Over recent years, the expansion of social media platforms has provided academics with the opportunity to explore the intricate behaviors of investors. Through online forums, blogs, and platforms, individuals can share their ideas, opinions, and factual information. This emphasis on the interconnected nature of financial interactions through digital channels highlights the evolving landscape of investor behavior. By emphasizing the importance of human emotion, sentiment, and mood in financial decision making, behavioral finance contradicts the efficient market hypothesis. Literature studies predominantly center on behavioral finance, suggesting human behavioral traits such as social mood(Nofsinger, 2005) investor sentiment(Baker & Wurgler, 2006) or psychological factors (Fenzl & Pelzmann, 2012)as explanations for market anomalies.(Schniederjans et al., 2013) studied the association between a company's reputation and online social media and discovered a moderately good relationship when making investment decisions and using social media on the internet, depending on the impression management method used. (Li et al., 2014) studied the impact of media on stock markets as well as the impact of financial news, public opinion, and emotions, on stock movements. They came to the conclusion that the media's influence on businesses varies depending on the type of business, the features it runs, and the quality of its articles.(Khan, 2015)examined the variables influencing investors' choices and stock market investments in Bangladesh. A standardized questionnaire was used to gather information from 270 investors in Khulna city. The data analysis for the study was done using descriptive statistics and factor analysis. They learned that the Market, economic, and hedging considerations, in particular, have a big impact on how investors make decisions. Moreover, Investors are significantly influenced by corporate annual reports to make wiser investment choices.(Kumar & Devi, 2014)investigated the use of social media in financial institutions, and it was discovered what risks investors run while utilizing social media in the financial services sector.(Shu, n.d.) highlighted that investing decision-making is riskier when investors participate in internet communities.

(Schmidt, n.d.) emphasizes that before looking at selection criteria and abilities, it is crucial to understand why investors choose to participate in investments and what drives them. In this approach, the impact of social media on share prices will surely be less in the years to come. In addition, there is mounting evidence that social media online activity might support stock price.(Ismail et al., 2018)examined the correlation among online social media, behavior within online communities, and a firm's online social media image concerning investors' decision-making in investments.

Research Objectives-

The primary objectives of this study are as follows:

- To investigate how social media influences the decision-making process of retail investors in making investment choices.
- To gather information via an online survey from individual investors who rely on social media for guidance and information regarding investments, and to assess their decision-making in investment matters.
- To scrutinize the data acquired from the survey and broaden our comprehension of how social media influences the decisions made in the context of investments.
- To furnish valuable insights to individual investors, policymakers, and financial regulators regarding the influence of social media on the process of making investment decisions.

Sampling and Instrumentation

The questionnaire was distributed among 260 potential participants, specifically targeting retail investors with substantial experience in wealth creation and securities. From this pool of 260, a total of 204 responses were obtained, forming the basis for the subsequent analysis. The survey questionnaireis structured into three main sections to comprehensively capture relevant data.The initial section of the instrument focuses on demographic characteristics, including gender, marital status, educational qualifications, occupation, and annual income. This demographic information is crucial for establishing a contextual understanding of the respondents.

The second set of variables within the questionnaire addresses questions pertaining to investment patterns. This section seeks to elicit information about how respondents' approach and engage in investment activities.

The third set of variables in the instrument is dedicated to questions related to decision-making processes concerning investments. This section aims to uncover the factors and considerations that influence the decision-making of retail investors in the realm of investments.

It is imperative to highlight that the study will be conducted based on the analysis of the 204 received responses, ensuring a robust and focused examination of the targeted retail investor demographic.

Data Analysis

The data analysis was conducted utilizing the Statistical Package for the Social Sciences (SPSS) version 20.00 designed for Microsoft Windows. Descriptive statistical methods, were employed to delve into the demographic data and gain a comprehensive understanding of the dataset.

Demographics

Table 1

Sr. No.	**Particulars**	**Frequency**	**Percentage**
1	Gender		
	Male	120	58.8
	Female	84	41.2
	Total	204	100
2	Marital Status		
	Married	110	53.9
	Unmarried	94	46.1
	Total	204	100
3	Educational Qualification		
	High School	27	13.2
	Bachelor Degree	91	44.6
	Master Degree	32	15.7
	Ph.D. or Higher	54	26.5
	Total	204	100
4	Occupation		
	Salaried	95	46.6
	Business	66	32.4
	Homemaker	2	1.0
	Other	41	20.1
	Total	204	100
5	Estimated Average Annual Income		
	Less than 2.5 lakhs	36	17.6
	2.5-5 lakhs	69	33.8
	5-7.5 lakhs	50	24.5
	7.5-10 lakhs	46	22.5
	10 lakhs and above	3	1.5
	Total	204	100

Source: Primary Data

Demographic Profile of Respondents-

The table 1 shows the demographic profile of respondents. Percentage analysis tool employed to examine the socio-economic characteristics of the participants, and the outcomes are presented in the above table.

The analysis reveals that 58.8% of the survey participants are male, while 41.2% are female. The analysis clear shows that male is more prone to investment than female. Out of the 204 respondents, 53.9% reported being married. In terms of educational qualification, 13.2% of respondents have finished their High School studies, 44.6% have completed a Bachelor's Degree, 15.7% have achieved a Master's Degree, and 26.5% hold a Ph.D. or a higher degree.Additionally, 33.8% of individuals reported an annual income ranging from 2.5 lakhs to 5 lakhs.Based on the survey findings, it is evident that the largest portion of investors (46.6%) falls within the salaried category, with incomes ranging between 2.5 to 5 lakhs. The above data shows that individuals who have bachelor degree and having income 2.5 lakhs to 5 lakhs invest in the share market more.

Table 2 (Type of Investment)

Securities	**Responses**	
	N	**Percentage**
Stocks/Bonds	166	57.6
Mutual Funds	2	0.7
IPO	93	32.3
Exchange Traded Funds	0	0
Others	27	9.37

Source- Author

The above table 2 found that majority of the investors (57.6%)invest in Stocks/Bonds of the individuals invest in Stocks/Bonds, 0.7% individuals invest in Mutual Funds, 32.3% individuals invest in IPO and 9.37% individuals invest in other securities.It is not uncommon for a significant portion of investors to consist of young adults who often opt for high-risk investment strategies, aiming for greater potential returns compared to traditional savings accounts.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 3 years	132	64.7	64.7	64.7
	3-5 years	68	33.3	33.3	98.0
	5-10 years	1	.5	.5	98.5
	10-15 years	3	1.5	1.5	100.0
	Total	204	100.0	100.0	

Source- Author

The above table 3 shows the experience of retail investors in the share market.The data from the provided table reveals that 64.7% of the participants possess less than 3 years of experience, 33.3% have between 3 to 5 years of experience, 0.5% fall within the 5 to 10 years' experiencecategory, and 1.7% have more than 10 of experience in the market. The analysis underscores the prevalence of respondents with less than 3 years of experience in the stock market.

Table 4(Income allocates for investment)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10%	75	36.8	36.8	36.8
	10-20%	116	56.9	56.9	93.6
	20-30%	12	5.9	5.9	99.5
	30-40%	1	.5	.5	100.0
	Total	204	100.0	100.0	

Source- Author

Table 4analysis shows that 56.9% of the individuals allocates 10-20% of their income in investment and only 0.5% individuals allocate 30-40% of their income on investment.So, the data clearly specify that there are few investors (0.5%) who allocate 30-40% of their income in investment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Minimum 5-10%	14	6.9	6.9	6.9
	10-15%	84	41.2	41.2	48.0
	15-20%	49	24.0	24.0	72.1
	20-25%	48	23.5	23.5	95.6
	25% and above	9	4.4	4.4	100.0
	Total	204	100.0	100.0	

Source- Author

The above table 5provides a clear overview of the expectations individuals have regarding the percentage of returns they anticipate from the stock market.The data shows that 6.9% of individuals expect returns in the range of 5-10%, 41.2% expect returns in the range of 10-15%, 24.0% expect returns in the range of 15-20%, 23.5% expect returns in the range of 20-25%, and 4.4% expect returns of 25% or higher from the stock market.

Table 6 (Correlation Matrix)

	SM	IDM
SM	1	.282**
IDM	.282**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source- Author

As indicated in table 6, the correlation coefficient (r) for the relationship between social media and investment decision-making is 0.282, indicating a modest positive correlation between the two variables. The P value being <0.01 signifies statistical significance in the relationship between these variables i.e., social media and investment decision making. Consequently, it can be inferred that social media exerts a certain influence on the investment decision-making of retail investors. As the degree of correlation is less, we can say that there are some other factors also that directly or indirectly effect investment decision making of investors.

Table 7 (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.282[a]	.080	.075	2.20808

a. Predictors: (Constant), SM

As observed in table 7, the R-square value stands at 0.080, indicating that our independent variable, social media, contributes to an 8% alteration in the dependent variable, investment decision-making. The modest R-squared value (0.080) suggests that the model elucidates only a minor fraction of the variability in the dependent variable. Despite the adjustment in the R-squared value (0.075) to accommodate the model's intricacy, it remains relatively subdued.

Table 8 (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.108	1	85.108	17.456	.000[b]
	Residual	984.872	202	4.876		
	Total	1069.980	203			

a. Dependent Variable: IDM
b. Predictors: (Constant), SM

The ANOVA results in table 8 indicate that the p-value is below 0.05. Therefore, we can conclude that there exists a significant correlation between our independent variable, social media, and the dependent variable, investment decision-making.

Table 9 (Coefficients[a])

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.868	.999		13.885	.000
	SM	.348	.083	.282	4.178	.000

a. Dependent Variable: IDM

The coefficients presented in table 9 reveal that the beta value is 0.282. This signifies that a one-unit change in the independent variable, social media, corresponds to a 0.282-unit change in the dependent variable, investment decision-making. Additionally, the positive beta value indicates a positive correlation between social media and investment decision-making.Overall, based on these values, it seems that the linear regression model may not be a strong predictor of the dependent variable, or additional variables may be needed to improve the model's explanatory power.

Conclusion

In summary, this research paper has explored the complex interconnection between social media and the decision-making processes of retail investors in the field of investments. Through a primary investigation, we have unveiled the multifaceted impact of social media platforms on the financial choices made by individual investors. The findings highlight both the positive and negative dimensions of this influence.On the positive side, social media provides a platform for information dissemination, enabling retail investors to access a vast array of financial data, news, and analysis. The democratization of financial information empowers investors, fostering a more informed and educated community. Moreover, the sense of community and shared experiences on social media platforms can create a supportive environment, encouraging knowledge exchange and collaborative learning among retail investors.

In conclusion, while social media offers unprecedented opportunities for information access and community engagement, its impact on retail investors' decision-making requires a balanced and nuanced approach. Future research and industry efforts should focus on developing effective strategies to harness the benefits of social media while mitigating the associated risks, ultimately fostering a more resilient and informed community of retail investors in the dynamic world of finance.

Implications

The research contributes to enhancing the comprehension of investors, including investment managers, about their behavior. It focuses on identifying factors leading to deviations from decisions aimed at maximizing wealth. This understanding will enable investors to more effectively assess available information before making investment decisions. The study's findings also hold significance for investment organizations, offering a more robust analysis of market trends and delivering reliable consultancy based on real-life behavioral insights to investors. Additionally, the research aids policymakers in gaining a better understanding of investors, facilitating the development of policies that consider psychological factors to ensure the market operates smoothly.

Limitations of the study

The primary constraint of this study is its restriction to examining the influences of only two variables, namely social media and investment decision-making. To improve the research scope, it is imperative to broaden the investigation by integrating all pertinent variables that impact investors' decision-making processes into the model.

References

Baker, M., & Wurgler, J. (2006). Investor sentiment and the cross-section of stock returns. *Journal of Finance*, *61*(4), 1645–1680. https://doi.org/10.1111/j.1540-6261.2006.00885.x

Fang, L., & Peress, J. (2009). Media coverage and the cross-section of stock returns. *Journal of Finance*, *64*(5), 2023–2052. https://doi.org/10.1111/j.1540-6261.2009.01493.x

Fenzl, T., & Pelzmann, L. (2012). Psychological and social forces behind aggregate financial market behavior. *Journal of Behavioral Finance*, *13*(1), 56–65. https://doi.org/10.1080/15427560.2012.655383

Ismail, S., Nair, R. K., Sham, R., & Wahab, S. N. (2018). Impacts of online social media on investment decision in Malaysia. *Indian Journal of Public Health Research and Development*, *9*(11), 1241–1246. https://doi.org/10.5958/0976-5506.2018.01627.3
Khan, F. (2015). Factors Influencing Investors' Decisions in Stock Market Investment in Bangladesh [A Study on Khulna City]. *Journal of Finance and Accounting*, *3*(6), 198. https://doi.org/10.11648/j.jfa.20150306.14
Kumar, K. S. V., & Devi, V. R. (2014). Social Media in Financial Services – A Theoretical Perspective. *Procedia Economics and Finance*, *11*, 306–313. https://doi.org/10.1016/s2212-5671(14)00198-1
Kumari, S. (n.d.). *IMPACT OF SOCIAL MEDIA ON BIASES OF INDIVIDUAL INVESTOR'S DECISION MAKING*.
Lacalle, D. (2019). ARE THE EFFECTS OF UNCONVENTIONAL MONETARY POLICY ON FINANCIAL MARKETS CAUSING BUBBLES? *Journal of Business Accounting and Finance Perspectives*, *1*(1), 1–1. https://doi.org/10.26870/jbafp.2018.01.003
Li, Q., Wang, T., Li, P., Liu, L., Gong, Q., & Chen, Y. (2014). The effect of news and public mood on stock movements. *Information Sciences*, *278*, 826–840. https://doi.org/10.1016/j.ins.2014.03.096
Ngai, E. W. T., Moon, K. L. K., Lam, S. S., Chin, E. S. K., & Tao, S. S. C. (2015). Social media models, technologies, and applications: An academic review and case study. *Industrial Management and Data Systems*, *115*(5), 769–802. https://doi.org/10.1108/IMDS-03-2015-0075
Nofsinger, J. R. (2005). Social Mood and Financial Economics. *Journal of Behavioral Finance*, *6*(3), 144–160. https://doi.org/10.1207/s15427579jpfm0603_4
Schmidt, N. (2010). What drives investments into mutual funds? Applying the theory of planned behaviour to individuals' willingness and intention to purchase mutual funds. In Conference Proceeding. Retrieved from http://retailinvestmentconference. org.Schniederjans, D., Cao, E. S., & Schniederjans, M. (2013). Enhancing financial performance with social media: An impression management perspective. Decision Support Systems, 55(4), 911–918. https://doi.org/10.1016/j.dss.2012.12.027
Shiller, R. J. (2000). Measuring Bubble Expectations and Investor Confidence. *Journal of Psychology and Financial Markets*, *1*(1), 49–60. https://doi.org/10.1207/s15327760jpfm0101_05
Shu, S. (n.d.). *The Role of Social Media in the Capital Market: Evidence from Consumer Product Recalls*. https://www.researchgate.net/publication/271826170