THE IMPACT OF SOCIAL MEDIA ON INVESTMENT DECISIONS: AN EMPIRICAL ANALYSIS OF USER BEHAVIOR ON INVESTMENT PLATFORMS

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ABSTRACT

This study examines the investment behavior of social media users and explores the relationship between social media usage and investment decisions. The study finds that most respondents are male, between the ages of 18 and 40, have graduate education, and are students or in other occupations. Instagram and YouTube are the preferred social media platforms, used mainly to connect with friends and family. The preferred investment options are stocks and mutual funds. Gender is significantly associated with investment preferences. Social media platforms are increasingly being used as sources of investment information, with Instagram being the most influential and useful. Finally, there is a strong correlation between investment source options and social media platform usage.

Keywords: Social Media, Investments, User behaviour, Usage, Impact, Influence.

I.   INTRODUCTION

Social media platforms have become an integral part of our daily lives, affecting various aspects of our behavior, including decision-making. The rise of social media has also impacted the financial industry, particularly investment decisions. The ease of access to information and the ability to connect with a wider network has enabled investors to gather information, learn from their peers, and make informed investment decisions. The impact of social media on investment decisions has been a topic of interest among researchers, as it offers insights into how social media platforms influence user behavior on investment platforms. This paper aims to explore the impact of social media on investment decisions and analyze user behavior on investment platforms. The use of social media platforms for investment purposes is not a new phenomenon. Online investment communities have existed for several years, providing investors with a platform to share information, insights, and experiences. However, with the rise of social media, these communities have expanded and evolved, with social media platforms providing investors with new ways to connect and interact with other investors, financial advisors, and investment experts. Social media platforms such as Twitter, LinkedIn, and Facebook, have become popular sources of information for investors, offering a wealth of information on companies, industries, and financial markets.

The impact of social media on investment decisions is a topic of interest as it provides insights into how social media platforms influence user behavior on investment platforms. With the increasing use of social media in the financial industry, it is essential to understand how these platforms impact investment decisions and the potential risks and opportunities they present. This paper aims to explore the impact of social media on investment decisions and analyze user behavior on investment platforms to provide insights into how social media can be used effectively in investment decision-making.

Influence of social media on investment decisions: Social media platforms offer investors access to a vast amount of information that can be used to make investment decisions. For instance, investors can use social media platforms to follow financial news, track stock market trends, and even monitor sentiment around specific companies or products. In a study conducted by (Al-Balushi, H., Gupta, V., Madbouly, A. and Reyad,

2021) it was found that social media sentiment has a significant impact on stock prices. This suggests that investors can use social media sentiment analysis to make informed investment decisions.

User behavior on investment platforms: Social media platforms have transformed the way investors interact with each other, financial advisors, and investment experts. Online investment communities have become a popular source of information and advice for investors. The social aspect of these platforms allows investors to share their experiences, knowledge, and insights, which can be valuable in making investment decisions. (Guha, Mandal, & Kujur, 2021)noted that social media use in the financial industry has increased in recent years, with more investors relying on social media platforms to stay informed and make investment decisions.

Impact of social media influencers: Social media influencers have become an important source of investment advice for many investors. These influencers have large followings on social media platforms, and their opinions and recommendations can influence investor behavior. A study conducted by (Miniesy, Elshahawy, & Fakhreldin, 2022)found that Twitter sentiment can be used to predict stock market trends, suggesting that social media influencers can have a significant impact on investment decisions.

Risks and opportunities of social media: While social media platforms offer investors numerous opportunities to make informed investment decisions, they also present certain risks. For instance, investors may be exposed to false information or misleading advice on social media platforms, which could result in poor investment decisions. Moreover, social media platforms can be subject to manipulation by individuals or groups with malicious intent, leading to market manipulation and other fraudulent activities. While these platforms offer numerous opportunities for investors to make informed investment decisions, they also present certain risks that need to be carefully managed.

II.   THEORETICAL UNDERPINNING

The most suitable theoretical framework for this study would be the Social Cognitive Theory (SCT). This is because the SCT emphasizes how individuals learn and make decisions based on their observations of others' behaviors, which is particularly relevant to the study of social media's impact on investment decisions. SCT suggests that individuals learn by observing others and modeling their behavior. In the context of social media and investment decisions, this theory can help explain how investors learn from others on social media platforms and how it affects their investment decisions. For example, an investor may observe other investors' investment decisions and use that information to guide their own investment decisions. Furthermore, SCT emphasizes the importance of self-efficacy in decision-making. Self-efficacy refers to an individual's belief in their ability to perform a specific task. In the context of investment decisions, self-efficacy can play a role in how investors use social media to gather information and make decisions. For example, an investor with high self-efficacy may be more likely to use social media to gather information and make investment decisions based on that information. Overall, the Social Cognitive Theory provides a useful framework for understanding how social media influences investment decisions and user behavior on investment platforms.

"Social media and investor sentiment: Evidence from Facebook and Twitter" by (Maity & Sandhu, 2021)found that social media sentiment has a significant impact on stock returns, and that social media can be used as a predictor of future stock returns. "Social media and stock price reaction to earnings announcements" by (Agarwal, Aziz, & Zhuang, 2022) found that social media can have a significant impact on stock price reactions to earnings announcements, especially for companies with high levels of social media attention.

"The impact of social media on investment decisions" by (Chaitanya & Nordin, 2021) found that social media has a significant impact on investment decisions, with investors relying on social media for investment advice and information. "The influence of social media on individual investor behavior" by (Ali Al Atoom, Khalaf Alafi, & Mohammad Al-Fedawi, 2021) found that social media has a significant impact on individual investor behavior, with investors using social media to gather information and make investment decisions.

"The impact of social media on stock market returns: Evidence from the United States" by (richard oliver (dalam Zeithml., 2021) found that social media can have a significant impact on stock market returns, with social media sentiment influencing stock returns.

These studies provide insights into the impact of social media on investment decisions and highlight the importance of social media in shaping investor behavior and stock market performance. "Investor Sentiment,

Social Media and Stock Returns" by (Al-Balushi, H., Gupta, V., Madbouly, A. and Reyad, 2021) found that social media sentiment is positively correlated with stock returns, indicating that investors may be using social media to gain information and make investment decisions.

"Social Media and Individual Investors: Evidence from Facebook" by Konstantinos (Miniesy et al., 2022) found that individual investors who actively engage on Facebook tend to be younger, have lower incomes, and trade more frequently than investors who do not use social media, indicating that social media may have a significant impact on the behavior of individual investors.

"The Impact of Social Media on Investors: Evidence from Facebook" by (Agarwal et al., 2022) found that social media sentiment has a significant impact on investor attention and stock returns, suggesting that social media can be used as a tool to predict market movements. "Social Media Sentiment and Market Anomalies" by (Chaitanya & Nordin, 2021) found that social media sentiment can predict market anomalies, such as stock mispricings and earnings surprises, indicating that social media can provide valuable information to investors.

Overall, these studies suggest that social media can have a significant impact on investor behavior and stock market performance. Social media sentiment and engagement can predict stock returns and market anomalies, and social media can be used as a tool to predict market movements and gain information for investment decisions.

"Investor behavior and trading activity on a social trading platform" by (Ali Al Atoom et al., 2021) found that investors on social trading platforms tend to follow popular investment strategies and copy trades from other successful investors, indicating a herd mentality and a lack of independent thinking among users. "Exploring user behavior on an online investment community: A case study of Seeking Alpha" by (Miniesy et al., 2022) found that users on Seeking Alpha, a popular investment community, tend to exhibit a confirmation bias by seeking out information that supports their existing beliefs and disregarding information that contradicts them.

"User-generated content and financial markets: Evidence from an internet community for investors" by (Agarwal et al., 2022) found that users on an investment community tend to be overconfident and trade more frequently than other investors, leading to lower investment returns. "Do social media interactions matter? An empirical analysis of investor behavior on Twitter" by (Chaitanya & Nordin, 2021) found that social media interactions can have a significant impact on investor behavior, with users who receive more likes and retweets exhibiting more extreme investment behavior.

Overall, these studies suggest that user behavior on investment platforms can be influenced by social and psychological factors, such as herd mentality, confirmation bias, overconfidence, and social validation. Investors on social trading platforms and investment communities tend to follow popular strategies and seek out information that supports their existing beliefs, which can lead to suboptimal investment decisions and lower investment returns. Social media interactions can also play a role in shaping investor behavior, with users who receive more social validation exhibiting more extreme investment behavior. At the outset, present study makes an attempt to address the below questions.

Research Questions

1. What is the impact of social media on investment decisions?
2. How does user behavior on investment platforms change due to social media?
3. What are the benefits and risks of using social media for investment decision-making?

Research Objectives

- To examine the extent to which social media influences investment decisions.
- To analyze user behavior on investment platforms and identify changes resulting from social media.
- To evaluate the potential benefits and risks of using social media for investment decision-making.

III.   RESEARCH METHODOLOGY

This study aims to investigate the impact of social media on investment decisions and user behavior on investment platforms. The study will focus on the use of social media for investment decision-making and its influence on investor behavior, including the benefits and risks associated with using social media for investment decision-making. The study will use a qualitative approach to gather data from relevant sources, including academic literature, industry reports, and online investment communities and quantitative approach

to gather data from structured questionnaire from 110 respondents. Descriptive statistics such as means, and frequency distributions have been used to analyze the quantitative data collected from the investment and social media platforms. Regression analysis have been used to identify the factors that influence users' investment decisions based on the quantitative data collected from the investment platforms and social media platforms.

There are some limitations to this study that should be considered. Firstly, the study will rely on secondary data sources, which may be subject to bias and errors. Secondly, the study will not include a large-scale empirical analysis of social media data and its impact on investment decisions due to data access limitations. Thirdly, the study will be limited to English-language sources and may not include insights from non-English speaking countries. Finally, the study will not explore the impact of specific social media platforms or social media influencers on investment decisions, which could be a potential avenue for future research.

IV.   ANALYSIS AND RESULTS

4.1. Demographic Information on Respondents

Demographic Variables	Levels	Counts	% of Total	Cumulative %
Age	18 - 40	107	97.3 %	97.3 %
	41 - 60	1	0.9 %	98.2 %
	Under 18	2	1.8 %	100.0 %
Gender	Female	52	47.3 %	47.3 %
	Male	58	52.7 %	100.0 %
Education	Graduate	55	50.0 %	50.0 %
	Post-Graduate	43	39.1 %	89.1 %
	Professional Degree	8	7.3 %	96.4 %
	School	4	3.6 %	100.0 %
Occupation	Business	5	4.5 %	4.5 %
	House-Wife	2	1.8 %	6.4 %
	Retired	1	0.9 %	7.3 %
	Salaried Employee	34	30.9 %	38.2 %
	Student	68	61.8 %	100.0 %

Out of 110 respondents, the majority of them are male, i.e., 52.7%, and the remaining 47.3% are female. 97.3% of the respondents belong to the age group of 18 to 40. 50% of them are graduates, followed by 39% of them who belong to the post-graduate education category. Majority (68% of the respondents) are students, followed by salaried employees (i.e., 30%). The demographic profile of the respondents infers that the majority of them are male, between the age groups of 18 and 40, and belong to a graduate educational background and are students from the occupation status.

4.2. Social Media Platform Usage

Social Media Platforms	Counts	% of Total	Rank
Instagram, YouTube	20	18.2 %	1
Instagram, LinkedIn, YouTube	16	14.5 %	2
Instagram	14	12.7 %	3
Facebook, Twitter, Instagram, LinkedIn, YouTube	9	8.2 %	4
Facebook, Instagram, LinkedIn, YouTube	8	7.3 %	5

Twitter, Instagram, LinkedIn, YouTube	7	6.4 %	6
YouTube	6	5.5 %	7
Facebook, Instagram, YouTube	4	3.6 %	8
Twitter, Instagram, LinkedIn	3	2.7 %	9
Facebook	2	1.8 %	10
Facebook, Twitter, Instagram, LinkedIn, Reddit, YouTube	2	1.8 %	11
Twitter, YouTube	2	1.8 %	12
Facebook, Instagram, LinkedIn, YouTube, Snapchat	1	0.9 %	13
Facebook, Twitter, Instagram, LinkedIn, Reddit	1	0.9 %	14
Facebook, Twitter, Instagram, LinkedIn, Reddit, YouTube,	1	0.9 %	15
Facebook, Twitter, Instagram, YouTube	1	0.9 %	16
Facebook, Twitter, LinkedIn, YouTube	1	0.9 %	17
Instagram,	1	0.9 %	18
Instagram, LinkedIn	1	0.9 %	19
Instagram, LinkedIn, TikTok, Reddit, YouTube	1	0.9 %	20
Instagram, LinkedIn, YouTube, Snapchat	1	0.9 %	21
Instagram, LinkedIn, YouTube, WhatsApp	1	0.9 %	22
Instagram, LinkedIn, YouTube, WhatsApp	1	0.9 %	23
LinkedIn, YouTube, WhatsApp	1	0.9 %	24
Twitter	1	0.9 %	25
Twitter, Instagram, LinkedIn, Reddit, YouTube	1	0.9 %	26
Twitter, Instagram, TikTok, YouTube	1	0.9 %	27
Twitter, Instagram, YouTube	1	0.9 %	28
Twitter, Instagram, YouTube, Snapchat	1	0.9 %	29
Total	**110**	**100%**	

18.2% of the respondents preferred to use Instagram and YouTube social media platforms, followed by the combinations of Instagram, LinkedIn, and YouTube, i.e., 14.5%, and stand-alone Instagram was the most commonly used platform by the respondents, i.e., 12.7%, followed by YouTube, i.e., 5.5%. Most of the respondents prefer to use more than one social media platform for their convenience. According to the data in the table above, Instagram and YouTube are the respondents' top two social media platforms.

4.3. Reasons for Social Media use

Social Platform	Details	1	2	3	4	5	6	Total	Score	Rank
To research products or services	No	37	18	11	15	12	17	110	4.02	3
	Weight	6	5	4	3	2	1	--		
	Sum	222	90	44	45	24	17	442		
To read news and information	No	34	27	24	12	8	5	110	4.47	2
	Weight	6	5	4	3	2	1	--		
	Sum	204	135	96	36	16	5	492		
To connect with	No	46	28	22	14	0	0	110	4.96	1

friends and family	Weight	6	5	4	3	2	1	--		
	Sum	276	140	88	42	0	0	546		
To follow influencers and celebrities	No	11	16	22	26	23	12	110	3.36	4
	Weight	6	5	4	3	2	1	--		
	Sum	66	80	88	78	46	12	370		
Other reasons	No	0	9	9	9	28	55	110	1.99	6
	Weight	6	5	4	3	2	1	--		
	Sum	0	45	36	27	56	55	219		
To participate in online communities or groups	No	0	9	18	18	37	28	110	2.48	5
	Weight	6	5	4	3	2	1	--		
	Sum	0	45	72	54	74	28	273		

According to the weighted average ranking table, the respondents' primary motivation for using social media was number one, which was interacting with friends and family. Researching goods and services came in third, reading news and information came in second, and other reasons came in last. This study infers that the majority of the respondents use social media platforms specifically to connect with friends and family.

4.4. Investment Products opted by the Respondents

Investment Products	Gender		Total
	Female	**Male**	
Stocks	17	20	37
Stocks, Mutual funds	10	7	17
Mutual funds	11	4	15
Others (Gold, Materials, NPS, Post-Office)	5	2	7
Bonds	2	4	6
Stocks, Mutual funds, Exchange-traded funds (ETFs), Bonds	2	4	6
Real Estate	3	2	5
Exchange-traded funds (ETFs)	3	1	4
Stocks, Mutual funds, Exchange-traded funds (ETFs)	2	2	4
Stocks, Real Estate	2	2	4
Mutual funds, Bonds, Real Estate	0	3	3
Mutual funds, Bonds	1	1	2
Total	58	52	110

χ^2 Tests

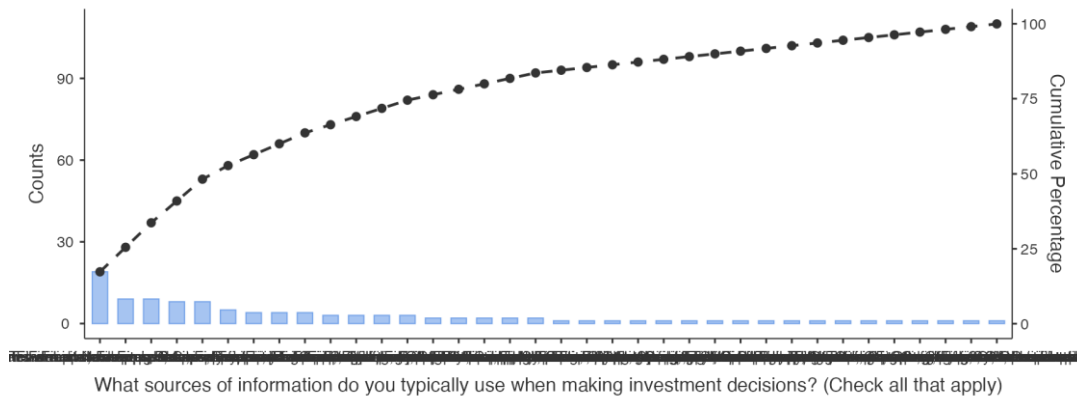|	**Value**	**df**	**p**	**Result**
χ^2	32.294	33	0.5021	Not Significant
N	110			

The majority of the 110 respondents, both male and female, chose stocks as their investment vehicle, followed by stocks and mutual funds as well as mutual funds alone. The respondents set restrictions on the remaining investment options, both individually and collectively. Furthermore, hypothesis testing was conducted using the Chi-Square statistical tool: there will be no association between gender and selection of investment sources,

and it was found that the p-value was greater than 0.05, inferring that there will be a high association between male and female in selecting their investment options.

4.5. Source of Information for Investment Decisions

Source	Male	Female	Total
Company financial reports or filings	14	6	20
Financial advisors or experts	12	3	14
Financial news websites or apps	13	11	24
Other investors or traders	3	10	13
Social media platforms	12	14	26
Television news programs	4	8	12
Grand Total	**52**	**58**	**110**

What sources of information do you typically use when making investment decisions? (Check all that apply)

The above table finds that the majority of the males made their investment decisions using company financial reports, but the females highly depend on social media platforms for their investment decisions. Overall, both male and female investors were using social media platforms more for their investment decisions, followed by financial news websites or apps. Television news programs are least preferred by the respondents. The study infers that now-a-days the majority of them use social media information for their investment decisions.

4.6. Social media platforms useful for investment-related information

Social Media Platform	Count	% of Grand Total	Cumulative %
Facebook	6	5.45%	5.45%
Instagram	52	47.27%	52.73%
LinkedIn	35	31.82%	84.55%
Twitter	17	15.45%	100.00%

Instagram was the most popular (47%) and most useful social media platform preferred by the respondents for their investment-related information, followed by LinkedIn (32%), and Twitter was the third most popular with 15%. Facebook was the least-attracted social media platform that the respondents used for their investment decisions. The analysis inferred that Instagram was both influential and useful for investment-related information.

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.09935619	0.09935619	0.008212108	0.927961854
Residual	108	1306.66428	12.0987433		
Total	109	1306.76364			

The relationship between the investment options of the respondents and the social media platform they preferred was analysed using a regression statistical tool, and the result was that the sig. P-value was greater than 0.05. It was inferred that there will be a high level of association between investment source options and social media platform usage.

V. DISCUSSIONS

The study finds that the majority of them are male, between the age groups of 18 and 40, have a graduate educational background, and are students from the occupation status. Instagram and YouTube are the respondents' top two social media platforms. The majority of the respondents use social media platforms specifically to connect with friends and family. Their preferred investment is stock, followed by mutual funds. There will be a significant correlation between gender and investing preferences. Now-a-days, the majority of them use social media information for their investment decisions. Instagram was both influential and useful for investment-related information. There will be a high level of association between investment source options and social media platform usage.

VI. CONCLUSION

In conclusion, this study sheds light on the demographic characteristics, social media usage patterns, investment preferences, and the role of social media in investment decision-making among a group of young adults. The findings suggest that the respondents are predominantly male, young, highly educated, and students. Instagram and YouTube are the most popular social media platforms among them, and they primarily use these platforms to connect with friends and family. The preferred investment option is stock, followed by mutual funds. Furthermore, the study highlights a significant correlation between gender and investing preferences, indicating that gender may influence investment decisions among young adults. The results also reveal that social media platforms, particularly Instagram, play an influential and useful role in investment-related information dissemination. The findings further suggest a high level of association between investment source options and social media platform usage.

Overall, this research contributes to the growing body of literature on the use of social media in investment decision-making among young adults. The results have significant implications for financial professionals and social media companies seeking to engage and inform young adults about investment opportunities. Future research could explore the specific types of investment-related information that young adults seek on social media platforms and how this information influences their investment decisions. Future research can build upon these findings by exploring the impact of social media platforms on investment behavior in greater depth. Further studies can be conducted to explore the reasons behind the preference for stock investments among the respondents and whether this preference is based on personal interest or external factors such as media influence. Future research can also explore the impact of social media platforms on investment decisions across different age groups and demographic backgrounds. Finally, future research can examine the effectiveness of different social media platforms as sources of investment-related information and their influence on investment decisions.

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