

Role of Social Media Information in Influencing Investment Preferences of Retail Investors: An Empirical Study

¹Dr. Sagar Balu Gaikwad, ²Srinivas D, ³Dr. Madhura Deshpande, ⁴Dr. Indu Gautam

¹Assistant Professor, MET Institute of Management

²Assistant professor, School of Business, SR University, Warangal, 506371

Telangana

srinivas.d@sru.edu.in

³Assistant Professor, Yashaswi's International Institute of Management Science, Chinchwad, Pune.

⁴Assistant Professor, Gurukula Kangri (Deemed to be University), Haridwar Uttarakhand

Abstract

Retail investors' investment landscape in India has been profoundly changed by social media. Influential sources that shape investment choices have emerged, including Twitter, Reddit, and forums devoted to investing. With debates, advice, and insights on stock markets, cryptocurrencies, and other investment options, these channels act as venues for the sharing of real-time information. The instant access to news, professional advice, and peer experiences provided by social media platforms is a major factor in the decision-making process for retail investors. Financial knowledge has become more accessible to the general public thanks to social media platforms, giving them more influence over markets that were previously controlled by institutions. Retail investors may follow suit due to the viral nature of investment trends on social media sites like Twitter, where conversations about particular stocks or industries gather traction. But there are hazards associated with social media's influence. Speculative activity and market volatility can result from false information and trends fueled by hype. Critical thinking and thorough research are essential as retail investors traverse this environment in order to separate important information from noise and, ultimately, to choose their investment preferences and tactics in India's fast-paced market. Study survey was conducted among 243 retail investors to know the factors that shows different role of social media information in influencing investment preferences of retail investors and found that Global Connectivity, Information Dissemination, Trend Identification and Feedback and Reviews are the factors that shows different role of social media information in influencing investment preferences of retail investors.

Keywords: Retail Investors, Social Media Influence, Investment Landscape, Information Sharing, Market Trends, Accessibility of Financial Knowledge, Speculative Activity, Critical Thinking.

Introduction

Retail investors' choices and decisions are being significantly shaped by social media, which has a profound impact on the financial landscape that goes beyond traditional paradigms. Sites like Reddit, Twitter, and specialized investment forums have developed into hotspots where people can find a wealth of up-to-date information, trends, and opinions about investing. According to Akhtar et al. (2018), personality attributes and the perceived performance of individual investors in the Indian stock market are related to social influence. Social influence, personality attributes, and perceived investment performance were found to be significantly correlated. The way that retail investors make decisions is influenced by social media sites, which function as catalysts. Through these channels, information was disseminated in a way that impacted attitudes towards certain investment options as well as opinions about the success of investments. This showed how social media has a significant impact on how individual Indian investors choose to make investments.

The impact of financial attitudes on retail investors' trading behavior was examined by Talwar et al. (2021), particularly in the context of the COVID-19 epidemic. Social media's increased influence in emergency situations. Investors navigating the erratic market conditions now primarily rely on social media for information and comfort. The financial climate that social media interactions produced affected retail investors' investing strategies and preferences, which they modified based on the attitude that was prevalent on these platforms. In response to shifting sociological and economic factors heightened by social media discourse, they emphasised the flexibility of Indian retail investors' investment preferences. These platforms are places where investor mood, trends, and discussions influence individual preferences in

addition to being sources of financial knowledge. Because of this, social media's influence on investment preferences has grown to be a crucial factor in the decision-making process, presenting opportunities as well as difficulties for investors trying to make their way through the complex Indian investing environment.

Social media is transforming the complex world of investments by influencing the choices and inclinations of Indian retail investors. Real-time thoughts, opinions, and trends come together in information hubs that are becoming more and more like Twitter, Reddit, and niche forums. These digital spaces redefine the environment of investment decision-making in India's dynamic and linked market by not only disseminating financial information but also dramatically influencing personal preferences. Islamoglu et al. (2015) revealed that a number of factors, including the importance of information sources, influence the actions of individual investors. They showed that among Indian investors, social media has become a major information source that affects investment decisions. The real-time and easily accessible information shared on social media platforms has a big influence on investment preferences. It has been noticed that social media conversations, opinions, and trends influence investors and eventually influence their investment decisions. The significance of social media in shaping the investing tastes and behaviours of Indian retail investors was emphasised, along with its impact on the decision-making process.

Literature Review

Shafi (2014) examined the way in which "social media" is changing the way that individual investors behave in the global stock market. It emphasised the significant impact that these digital platforms have on the "investment behaviours" of individual investors, with India showing a noteworthy trend in this regard. Social media sites and other investment forums have become essential elements that shape investors' decisions and activities in the Indian stock market. Beyond being merely means of communication, these digital channels became dynamic spaces where "financial information" could be disseminated in real time and where investors could engage in thoughtful way. Investor perception and attitude to investment prospects was greatly changed by the instantaneous and extensive availability of financial insights, market assessments, expert opinions, and investment trends on these platforms. This effect was especially noticeable in India, where retail investors used these platforms as sources of advice and confirmation for their investment decisions. They actively participated in debates, took in information, and exchanged ideas. The effects of "financial literacy" and "attitudinal factors" on stock market involvement were examined by Sivaramakrishnan et al. (2017). They proposed that social media fulfilled two functions. It had a significant impact on how retail investors felt about trading stocks in addition to raising their level of financial awareness. Social media platforms impacted investors' attitudes and "investment preferences" and choices in the Indian stock market by facilitating information exchange and innovative thinking. Naveed et al. (2020) assessed, from a signaling viewpoint, how "financial" and "non-financial information" affect individual investor investment decisions. Social media has become India's main source of financial news as well as non-financial information like opinions and attitudes about the market. Social media played a major role in shaping the "investment preferences" of individual investors in the Indian market by disseminating financial knowledge, expert opinions, and market trends widely.

Zahera and Bansal (2018) examined the "behavioural biases" that are common in investors' decision-making. They explained how "psychological factors" have a huge effect on investor behaviour. They focused on how "social media" is a major source of information that often amplifies these biases. In India, for example, the abundance of information available on sites such as Reddit, Twitter, and investment forums could not have helped but create prejudices among individual investors. These prejudices, which ranged from "herding behaviour" to "confirmation bias," were frequently made worse by the constant and quick distribution of ideas, trends, and analyses that were common on social networking sites. As such, these prejudices had a substantial impact on the "investment preferences" of retail investors functioning in the Indian market, directing their choices and tactics according to the prevailing. They emphasised how investors' decision-making biases were exacerbated by the deluge of information they received from social media channels, which frequently prompted them to follow the herd and look for validation for their own views. This was particularly noticeable in India, where investors were swayed by the continuing conversations and collective knowledge in these virtual spaces.

According to Rathore et al. (2017), social media acted as a source of sentiment analysis and real-time data that influenced investment choices. This was especially true in India, where the accessibility of social media data allowed for a more

thorough comprehension of investor attitudes and actions. These analytics affected retail investors, who modified their investing choices in response to popular conversations, attitudes, and professional viewpoints expressed on social media sites. Furthermore, Parashar (2010) assessed personality differences and their impact on retail investors' investment decisions. Investor tastes and behaviours were frequently greatly influenced by personality attributes. Social media in India served as a spark that amplified these consequences. The customised character of social media exchanges enabled investors to match their investment decisions to their unique characteristics, reinforcing social media's influence on retail investors' "investment preferences" and fostering a customised and powerful investment climate in the Indian market.

The impact of "financial literacy" and "past behaviour" on individual investors' investment decision-making process was examined by Raut (2020). It highlighted the important influence of "social media" as a source of information on Indian investors' choices. Retail investors used social media sites like Twitter, Reddit, and investing forums to obtain information and evaluate their investment decisions. These platforms were influenced by their prior experiences and financial knowledge. The perpetual exchange of data, evaluations, and dialogues on these platforms significantly influenced retail investors' "investment preferences" and decision-making procedures in the Indian market. According to Abbas et al. (2019), "social media marketing" played a moderating impact in the relationship between environmental elements and "corporate social responsibility practices" and business enterprises' sustainable performance. They emphasised how much social media influences corporate success by reducing the effect of different elements. In India, this meant that social media could also impact retail investors' perceptions and sentiments through its widespread reach and marketing strategies, thereby indirectly influencing their "investment preferences" through the way they view companies' environmental and social responsibility policies. Ainin et al. (2015) examined the elements that lead to social media adoption and how that affected their performance results. This indicated that the extensive use of social media by companies may have an indirect impact on the attitudes and beliefs of "retail investors." As they navigate the Indian market, these investors may be influenced by the way businesses are portrayed and made visible on social media. Retail investors' "investment preferences" may be greatly influenced by how these companies are portrayed and how engaged they are on social media. Consequently, investors may base their decisions about investments on how these enterprises are regarded to perform, have a good reputation, and interact online. This allows investors to successfully incorporate this external view into their investment plans in the Indian market.

Objective

1. To find the factors that shows different role of social media information in influencing investment preferences of retail investors.

Methodology

Study survey was conducted among 243 retail investors to know the factors that shows different role of social media information in influencing investment preferences of retail investors. "Random sampling method" and "Factor Analysis" were used to collect and analyze the data.

Data Analysis

In the total population of study survey males are 60.5% and females are 39.5%. 33.3% of them are below 40 years, 39.5% comes under the age group of 40-45 years and rest 27.2% are above 45 years of age. 31.3% are having monthly income of below 8 Lac, 42.0% are earning 8-15 Lac and rest 26.7% are having the monthly income of above 15 lacs.

"Table 1 General Details"

"Variables"	"Respondents"	"Percentage"
Male	147	60.5
Female	96	39.5
Total	243	100
Age (years)		
Below 40	81	33.3
40-45	96	39.5
Above 45	66	27.2

Total	243	100
Monthly Income		
Below 8 Lac	76	31.3
8-15 Lac	102	42.0
Above 15 Lac	65	26.7
Total	243	100

Table 2 “KMO and Bartlett's Test”

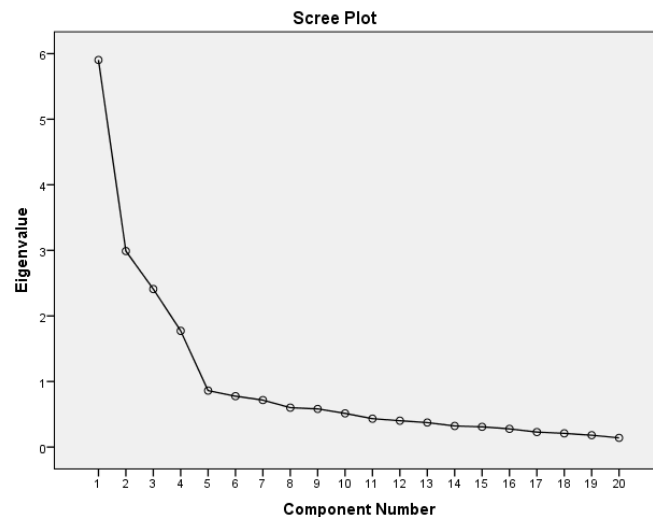
“Kaiser-Meyer-Olkin Measure of Sampling Adequacy”		.854
“Bartlett's Test of Sphericity”	Approx. Chi-Square	2618.872
	df	190
	Sig.	.000

In the table above KMO value is 0.854 and the “Barlett’s Test of Sphericity” is significant.

“Table 3 Total Variance Explained”

“Component”	“Initial Eigen values”			“Rotation Sums of Squared Loadings”		
	“Total”	“% of Variance”	“Cumulative %”	“Total”	“% of Variance”	“Cumulative %”
1	5.903	29.516	29.516	4.014	20.069	20.069
2	2.989	14.945	44.461	3.353	16.765	36.835
3	2.410	12.051	56.512	2.952	14.758	51.592
4	1.772	8.859	65.371	2.756	13.779	65.371
5	.861	4.306	69.677			
6	.776	3.880	73.557			
7	.716	3.582	77.139			
8	.601	3.003	80.142			
9	.582	2.910	83.052			
10	.514	2.569	85.621			
11	.433	2.165	87.786			
12	.402	2.009	89.795			
13	.374	1.868	91.664			
14	.322	1.610	93.274			
15	.308	1.542	94.816			
16	.277	1.387	96.202			
17	.229	1.145	97.347			
18	.209	1.046	98.393			
19	.181	.904	99.298			
20	.140	.702	100.000			

The “principal component analysis” method was applied to extract the factors and it was found that 20 variables form 4 Factors. The factors explained the variance of 20.069%, 16.765%, 14.758% and 13.779% respectively. The total variance explained is 65.371%.



The graph above depicts the Eigen values generated from the "Total Variance Explained table" for an elbow with 4 components.

“Table 4 Rotated Component Matrix”

“S. No.”	“Statements”	“Factor Loading”	“Factor Reliability”
	Global Connectivity		.888
1	Allows retail investors to identify and participate in trends that may originate in different regions	.906	
2	Interconnection led to the globalization of investment trends	.873	
3	Provides a platform for investors to share insights and perspectives on international markets	.872	
4	Financial experts and influencers with a global reach use social media to share their insights and recommendations	.861	
5	Social media platforms play a significant role in the global Forex market	.659	
6	Retail investors gain insights into global economic trends by following discussions on social media	.596	
	Information Dissemination		.866
7	Social media platforms provide real-time updates on market news	.804	
8	Allows investors to stay informed regarding stock performances and economic events	.789	
9	Real-time thoughts, opinions, and trends come together in information hubs	.777	
10	Social media facilitate information exchange and innovative thinking	.756	
11	Retail investors often share their insights, analyses, and opinions on social media platforms	.748	
	Trend Identification		.797
12	Social media platforms help to identify emerging trends and themes in the market	.801	
13	Retail investors adjust their investment preferences based on the popularity of certain sectors or investment strategies	.760	
14	Social media amplify market trends and contribute to the hype around certain stocks or investment opportunities	.735	

15	Hashtags and trending topics help to identify what is currently capturing the investor’s attention	.683	
16	Monitoring popular discussions provides insights into the trending themes in the investment community	.670	
Feedback and Reviews			.837
17	Retail investors often rely on social media for reviews and feedback about companies	.857	
18	Positive or negative sentiment shape investor perceptions and influence investment decisions	.843	
19	Investors often seek feedback and validation for their investment ideas on social media	.828	
20	Positive responses and support from online community strengthen the perception of a trend's legality	.664	

Global Connectivity is the first factor and its associated variables are social media allows retail investors to identify and participate in trends that may originate in different regions, Interconnection led to the globalization of investment trends, provides a platform for investors to share insights and perspectives on international markets, financial experts and influencers with a global reach use social media to share their insights and recommendations, social media platforms play a significant role in the global Forex market and retail investors gain insights into global economic trends by following discussions on social media. Second factor is Information Dissemination which includes the variables like social media platforms provide real-time updates on market news, allows investors to stay informed regarding stock performances and economic events, Real-time thoughts, opinions, and trends come together in information hubs, social media facilitate information exchange and innovative thinking and Retail investors often share their insights, analyses, and opinions on social media platforms. Third factor is Trend Identification

Social media platforms help to identify emerging trends and themes in the market and its associated variables are retail investors adjust their investment preferences based on the popularity of certain sectors or investment strategies, social media amplify market trends and contribute to the hype around certain stocks or investment opportunities, Hashtags and trending topics help to identify what is currently capturing the investor’s attention and Monitoring popular discussions provides insights into the trending themes in the investment community. Feedback and Reviews is fourth factor which includes the variable like retail investors often rely on social media for reviews and feedback about companies, Positive or negative sentiment shape investor perceptions and influence investment decisions, Investors often seek feedback and validation for their investment ideas on social media and Positive responses and support from online community strengthen the perception of a trend's legality.

“Table 5 Reliability Statistics”

“Cronbach's Alpha”	“N of Items”
.864	20

The reliability for 4 constructs with total of twenty elements is 0.864.

Conclusion

In conclusion, social media clearly plays a big part in influencing Indian retail investors' investment preferences. Social media platforms have influenced investing choices in a significant way, ushering in a new era of investor connectivity and easily accessible information. Social media's power comes from its capacity to democratize financial literacy, giving users access to a multitude of data, viewpoints, and analyses from a wide range of sources, including peers and specialists. Investment-focused forums, Reddit, and Twitter have developed into important discussion points for investors to exchange information, talk about market trends, and make suggestions. But there are drawbacks to social media's influence on investing decisions. There is a lot of information out there, but it's frequently unreliable or untrustworthy. It is still possible for investors to make rash or speculative decisions as a result of false information or hype-driven investing decisions. Notwithstanding these obstacles, it is impossible to overlook the influence that social media has on Indian retail

investors' investing preferences. Through access to a variety of investment viewpoints and market insights, it has empowered people. Before making an investment, investors must, however, carefully study and confirm the information, guaranteeing a balanced approach that takes into account both internet rumours and reliable financial analysis. The influence of social media on investing behaviour is probably going to stay the same as it develops. For retail investors navigating the shifting landscape influenced by social networks, finding a balance between using the information at their disposal and adopting good investing principles will be essential.

The study was conducted to know the factors that shows different role of social media information in influencing investment preferences of retail investors and found that Global Connectivity, Information Dissemination, Trend Identification and Feedback and Reviews are the factors that shows different role of social media information in influencing investment preferences of retail investors.

References

1. Abbas, J., Mahmood, S., Ali, H., Ali Raza, M., Ali, G., Aman, J., ... & Nurunnabi, M. (2019). The effects of corporate social responsibility practices and environmental factors through a moderating role of social media marketing on sustainable performance of business firms. *Sustainability*, 11(12), 3434.
2. Ainin, S., Parveen, F., Moghavvemi, S., Jaafar, N. I., & Mohd Shuib, N. L. (2015). Factors influencing the use of social media by SMEs and its performance outcomes. *Industrial Management & Data Systems*, 115(3), 570-588.
3. Akhtar, F., Thyagaraj, K. S., & Das, N. (2018). The impact of social influence on the relationship between personality traits and perceived investment performance of individual investors: Evidence from Indian stock market. *International Journal of Managerial Finance*, 14(1), 130-148
4. Islamoglu, M., Apan, M., & Ayvalı, A. (2015). Determination of factors affecting individual investor behaviours: A study on bankers. *International Journal of Economics and Financial Issues*, 5(2), 531-543.
5. Naveed, M., Ali, S., Iqbal, K., & Sohail, M. K. (2020). Role of financial and non-financial information in determining individual investor investment decision: a signaling perspective. *South Asian Journal of Business Studies*, 9(2), 261-278.
6. Parashar, N. (2010). An empirical study on personality variation and investment choice of retail investors. *Journal of Management and Information Technology*, 2(1), 33-42.
7. Rathore, A. K., Kar, A. K., & Ilavarasan, P. V. (2017). Social media analytics: Literature review and directions for future research. *Decision Analysis*, 14(4), 229-249.
8. Raut, R. K. (2020). Past behaviour, financial literacy and investment decision-making process of individual investors. *International Journal of Emerging Markets*, 15(6), 1243-1263.
9. Shafi, M. (2014). Determinants influencing individual investor behavior in stock market: a cross country research survey. *Nigerian Chapter of Arabian Journal of Business and Management Review*, 62(1100), 1-12.
10. Sivaramkrishnan, S., Srivastava, M., & Rastogi, A. (2017). Attitudinal factors, financial literacy, and stock market participation. *International journal of bank marketing*, 35(5), 818-841.
11. Talwar, M., Talwar, S., Kaur, P., Tripathy, N., & Dhir, A. (2021). Has financial attitude impacted the trading activity of retail investors during the COVID-19 pandemic?. *Journal of Retailing and Consumer Services*, 58, 102341.
12. Zahera, S. A., & Bansal, R. (2018). Do investors exhibit behavioral biases in investment decision making? A systematic review. *Qualitative Research in Financial Markets*, 10(2), 210-251.