Research Article

The Influence of Social Media on Investment Decisions: A Behavioural Finance Perspective in Hyderabad City

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ARTICLE INFO	ABSTRACT
	The study of finance has evolved significantly, yet behavioural finance—an area that explores the psychological factors influencing financial decision-making—remains an emerging field with substantial research potential. With the proliferation of social media, which has become an indispensable part of modern life, its influence on various aspects of financial markets warrants deeper investigation. While prior research has explored social media's role in predicting market movements, limited studies examine its direct impact on investment decisions. This study aims to bridge this research gap by analyzing the extent to which social media influences investment decisions, specifically within the context of Hyderabad City. Using a quantitative methodology, primary data was gathered through structured questionnaires administered via Google Forms. The collected data was systematically analyzed using Microsoft Excel to identify key trends and relationships. The study evaluates three critical dimensions: information dissemination on social media, online community behavior, and the perceived corporate image—all of which contribute to shaping investor decisions. The findings establish a significant relationship between social media activity and investment choices, highlighting how digital platforms shape investor sentiment and decision-making processes. This research contributes to the existing literature by offering empirical insights into the intersection of social media and behavioural finance, particularly within the Indian financial ecosystem. The study provides a foundation for future academic inquiries into how digital engagement influences capital market dynamics, thereby aiding policymakers, financial analysts, and investors in understanding the evolving landscape of financial decision-making in the digital era. **Keywords:** Social Media, Investment Decisions, Behavioural Finance, Investor Sentiment, Financial Markets.

INTRODUCTION

The dynamics of financial investment have evolved significantly over time, with the timing of decisions playing a pivotal role in determining investment success. Traditionally, investors relied on conventional sources of information, such as financial newspapers, trade publications, and personal networks, to make informed decisions. However, the rapid rise of social media has revolutionized the way market participants access, interpret, and respond to financial data. Digital platforms now serve as real-time sources of market intelligence, influencing investor perceptions and behaviours at an unprecedented scale.

Among various social media platforms, X (formerly Twitter) has emerged as a leading source for immediate financial news. Unlike traditional media outlets, which often experience delays in reporting, X provides real-time updates, allowing investors to react swiftly to market developments. Empirical evidence suggests that many high-net-worth

individuals, particularly in advanced economies, leverage social media for investment research, seeking to gain a competitive edge by acting on market-moving information before it becomes widely available.

Beyond real-time updates, investors also utilize social media to analyze market sentiment and trends, predicting future stock movements based on collective online discussions. Platforms such as LinkedIn further support investment decision-making by enabling direct engagement with industry experts, financial analysts, and corporate leaders. The professional nature of LinkedIn fosters high-quality financial discourse, facilitating access to expert insights that supplement traditional research methods.

Given the increasing reliance on social media for investment strategies, understanding its influence on investor behavior is crucial. This study explores the role of social media in shaping investment decisions, with a particular focus on the investment landscape in Hyderabad City. By investigating how investors utilize social media for financial decision-making, this research aims to contribute valuable insights to the field of behavioural finance, thereby enhancing our understanding of digital-era investment trends.

REVIEW OF LITERATURE

The impact of social media on investment decision-making has gained significant attention in recent years, with numerous studies examining its influence on investor behavior, market participation, and financial strategies. While traditional financial theories emphasize rational decision-making, behavioural finance suggests that psychological and social factors play a crucial role in shaping investment choices. This review synthesizes key findings from recent research that explore the relationship between social media engagement and investment behavior.

Singh and Chakraborty (2024) highlight a strong correlation between social media usage and stock market participation, emphasizing the role of digital platforms in shaping investment behavior. Their study underscores the importance of factors such as market sentiment, peer influence, and financial literacy, which remain underexplored in existing literature. The findings suggest that financial institutions and policymakers can leverage social media analytics to design effective stock market strategies and enhance investor engagement.

Hasanudin (2023) examines the role of social media in influencing investment decisions among millennials, revealing its substantial impact on their financial choices. The study suggests that digital platforms not only provide market information but also serve as a medium for peer discussions and influencer-driven financial advice. Given the increasing reliance on social media for investment research, financial firms can utilize these platforms for strategic marketing and investor education.

Mistri and Japee (2021) focus on the South Gujarat region, analyzing how social media affects investment patterns. Their research, based on quantitative surveys and SPSS analysis, confirms that investors who actively use digital platforms tend to make more informed financial decisions. The study highlights the role of social media literacy in improving financial awareness and suggests that financial advisors can leverage these insights to attract a digitally engaged clientele.

Chen et al. (2023) explore the impact of social media sentiment on stock market trends, utilizing machine learning techniques to analyze investor discussions on platforms such as X (formerly Twitter) and Reddit. The study finds that positive and negative sentiment indicators significantly influence stock price movements, demonstrating the predictive power of real-time social media analytics.

Jain and Mehta (2022) investigate the relationship between social media discussions and cryptocurrency investments, emphasizing how online forums, influencer recommendations, and trending discussions affect digital asset trading. Their research highlights the importance of social media credibility and misinformation control, urging financial regulators to monitor digital investment communities.

Ali et al. (2022) examine behavioral biases induced by social media, such as herd mentality, overconfidence, and loss aversion, which often lead to impulsive investment choices. Their findings suggest that investors influenced by social media hype may experience higher volatility in portfolio performance, reinforcing the need for financial education programs.

Sharma and Reddy (2023) discuss the growing influence of financial influencers ("finfluencers") on investment behavior. Their research indicates that retail investors increasingly rely on YouTube, Instagram, and Telegram groups for investment advice, often prioritizing social validation over traditional financial analysis.

Gupta et al. (2023) explore how institutional investors leverage big data from social media platforms to refine investment models. Their study finds that AI-driven sentiment analysis helps hedge funds and asset managers predict market fluctuations with higher accuracy than conventional methods.

Patel and Das (2024) analyze how viral trends, such as meme stocks and short squeezes, influence retail investor participation. Their research demonstrates that social media-driven investment frenzies often lead to market anomalies, requiring regulatory oversight to prevent financial instability.

Kumar and Srivastava (2023) highlight the ethical concerns surrounding misleading investment content, pump-and-dump schemes, and unverified financial advice on social media. Their study calls for stricter regulations and enhanced investor protection measures to mitigate the risks associated with social media-driven speculation.

RESEARCH PROBLEM

The rise of social media analytics as a research domain has gained significant attention due to the rapid expansion of digital platforms and their growing influence on consumer decision-making. Traditionally, investment decisions were shaped by financial experts, market reports, and traditional media; however, the emergence of social media has transformed how investors gather information, interact with market trends, and make financial choices. In today's digital landscape, individuals increasingly rely on platforms such as WhatsApp, Facebook, Twitter, and LinkedIn to exchange financial insights, discuss investment opportunities, and seek recommendations from peers rather than experts.

While businesses leverage social media to enhance engagement with customers, partners, and stakeholders—including investors—the extent to which social media content influences investment decisions remain an area of limited exploration. Given the increasing reliance on social media as a source of financial information, it is imperative to investigate how online discussions, sentiment, and user-generated content shape investor behavior and financial decision-making processes.

Despite the established impact of social media on consumer preferences and purchasing behavior, limited research has been conducted on its influence on investment behavior. While studies have examined the correlation between stock market trends and investor sentiment on social media, they fall short of providing a comprehensive understanding of the mechanisms through which social media influences investment decisions. This study seeks to bridge this research gap by analysing the role of social media in shaping investment behavior and determining the extent to which digital interactions and information dissemination affect financial decision-making.

OBJECTIVES OF THE STUDY

1. To analyze the extent to which social media platforms influence investors' decision-making processes.

2. To assess the role of social media in the dissemination of financial information and its impact on investor behavior.

3. To evaluate the prevalence of misinformation and market manipulation on social media and its implications for investment decisions.

4. To examine the influence of online communities on investment trends and market sentiment.

5. To investigate the impact of social media discourse on a firm's reputation and how it shapes investor perceptions.

Hypotheses

H_{01} (Null Hypothesis): There is no significant relationship between social media influence and investment decisions.

H_{11} (Alternative Hypothesis): There is a significant relationship between social media influence and investment decisions.

H02 (Null Hypothesis): There is no significant difference between the impact of online community interactions on social media and investor decision-making.

H21 (Alternative Hypothesis): There is a significant difference between the impact of online community interactions on social media and investor decision-making.

H03 (Null Hypothesis): There is no significant relationship between social media influence on a firm's reputation and investor decisions.

H31 (Alternative Hypothesis): There is a significant relationship between social media influence on a firm's reputation and investor decisions.

Need for the Study

Social networking platforms have emerged as vital forums where investors exchange insights, discuss potential investments, and access real-time financial information. Analyzing these interactions provides valuable insights into investor sentiment, decision-making patterns, and behavioural biases, contributing to the broader understanding of financial psychology.

Furthermore, social media plays a significant role in shaping market dynamics by rapidly disseminating news, opinions, and speculative information. Examining how financial information spreads across social networks and its subsequent influence on asset pricing can enhance our comprehension of market efficiency and volatility.

However, the increasing reliance on social media for investment decisions also introduces potential risks, such as herd behavior, misinformation, and market manipulation. Investigating these risks is crucial for financial institutions, regulatory bodies, and investors to formulate strategies that mitigate adverse impacts and foster more informed decision-making.

Sample Size

The study is based on a sample of 158 respondents who actively engage in investment-related discussions on social media platforms.

Data Collection

This research primarily relies on primary data, collected through a structured questionnaire administered via Google Forms. The survey specifically targeted investors and financial market participants within Hyderabad city, ensuring region-specific insights into social media's influence on investment decisions.

Research Tools and Analysis

The collected data has been systematically classified, summarized, and analyzed using quantitative statistical methodologies. To derive meaningful insights, regression analysis was conducted using Microsoft Excel and SPSS. Additionally, frequency distributions, graphical representations, and statistical inferences were generated to support the study's findings.

Data Analysis and Interpretation

Demographics and socio-economic factors

Variable	Category	Frequency	Percentage
Gender	Male	81	51.3
	Female	77	48.7
Age	18 − 25	134	84.8
	26 − 35	15	9.5
	36 − 45	6	3.8
	46 − 55	3	1.9
	56 and above	0	0

Variable	Category	Frequency	Percentage
Marital Status	Single	143	90.5
	Married	15	9.5
Education Qualifications	High School & Below	5	3.2
	Bachelor's Degree	82	51.9
	Master's Degree	60	38
	Ph.D. or Higher	4	2.5
	Other	7	4.4
Monthly Income	Less than 15,000	68	43
	$15,000 - 25,000$	30	19
	$25,001 - 50,000$	45	28.5
	$50,001 - 1,00,000$	15	9.5

Demographic Profile of Respondents

The study sample comprises a balanced representation of genders, with 51.3% male (81 respondents) and 48.7% female (77 respondents). The majority of participants belong to the 18-25 age group (84.8%, 134 respondents), reflecting a predominant young adult demographic. The remaining respondents are distributed across 26-35 years (9.5%), 36-45 years (3.8%), and 46-55 years (1.9%), with no participants exceeding the age of 55.

Regarding marital status, a significant proportion of respondents are single (90.5%, 143 individuals), while 9.5% (15 individuals) are married. The educational background of the participants indicates a well-educated sample, with 51.9% (82 respondents) holding a bachelor's degree, followed by 38% (60 respondents) with a master's degree. A smaller proportion has completed high school or below (3.2%, 5 respondents), attained a PhD or higher (2.5%, 4 respondents), or belong to other educational categories (4.4%, 7 respondents).

In terms of income distribution, the largest proportion of respondents earns less than 15,000 SEK per month (43%, 68 respondents). Other income categories include 15,000-25,000 SEK (19%, 30 respondents), 25,000-50,000 SEK (28.5%, 45 respondents), and 50,000-100,000 SEK (9.5%, 15 respondents).

Hypothesis Test 1

Null Hypothesis (H0): There is no statistically significant relationship between social media influence and investors' decision-making.

Alternative Hypothesis (H1): A statistically significant relationship exists between social media influence and investors' decision-making.

Source	Value	Standard Error	t - value	p – value
Intercept	8.005499	22.73143	0.352178	0.747992
X Variable	0.746661	0.685254	1.089613	0.355581

The regression analysis reveals that the intercept value is 8.0055, with a standard error of 22.7314. The computed t-value for the intercept is 0.3522, and the corresponding p-value is 0.7480, indicating that the intercept is not statistically significant at conventional significance levels.

For X Variable 1, the coefficient is 0.7467, with a standard error of 0.6853. The t-value for this variable is 1.0896, and the p-value is 0.3556, suggesting that X Variable 1 also does not exhibit statistical significance in this model.

Based on these results, neither the intercept nor X Variable 1 demonstrates a statistically significant impact. Consequently, the analysis provides evidence to support the acceptance of the null hypothesis (H0), indicating that there is no significant relationship between investment decisions and information obtained from social media.

Hypothesis Test 2

Null Hypothesis (H0)

There is no significant difference in the impact of social media, influenced by online community activities, on investor decision-making.

Alternative Hypothesis (H1)

There is a significant difference in the impact of social media, influenced by online community activities, on investor decision-making.

Source	Value	Standard Error	t- value	p-value
Intercept	5.093163	5.332232	0.955165	0.40996
X Variable	0.838824	0.152387	5.504571	0.011802

The results of the regression analysis reveal that the intercept has a coefficient of 5.093163, with a standard error of 5.332232, a t-value of 0.955165, and a p-value of 0.40996. These findings indicate that the intercept is not statistically significant at conventional significance levels. However, X Variable 2 exhibits a coefficient of 0.838824, a standard error of 0.152387, a t-value of 5.504571, and a p-value of 0.011802. Given that the p-value is well below the standard significance thresholds (0.05 or 0.01), it suggests that X Variable 2 has a statistically significant impact on the dependent variable.

Overall, the regression model demonstrates a strong fit to the data, confirming that the independent variable substantially influences the dependent variable. Consequently, the alternative hypothesis is accepted, indicating a significant relationship between the predictor variable and investment decisions.

Hypothesis Test 3

Null Hypothesis (H0): There is no statistically significant difference between the impact of social media on a firm's image and investors' decision-making.

Alternative Hypothesis (H1): There is a statistically significant difference between the impact of social media on a firm's image and investors' decision-making.

Sources	Value	Standard Error	t- value	p- value
Intercept	6.335104	4.494997	1.409368	0.253501
X variables	0.799522	0.132596	6.029743	0.009145

The regression analysis indicates that the intercept, which represents the expected value of the dependent variable when all independent variables are zero, is estimated at 6.335 with a standard error of 4.495. However, its corresponding p-value (0.253) suggests that it is not statistically significant at conventional significance levels, implying that the intercept may not be reliably different from zero.

Conversely, the coefficient for X Variable 3 is estimated at 0.800, meaning that for each unit increase in X Variable 3, the dependent variable is expected to rise by 0.800 units on average. This coefficient is statistically significant, as evidenced by its p-value (0.009), which falls well below the commonly accepted thresholds for significance (0.05 or 0.01). Additionally, the t-value of 6.030 indicates that the coefficient is approximately six times its standard error, further reinforcing its reliability as a predictor.

Based on these findings, the null hypothesis is rejected, and the alternative hypothesis is accepted, confirming that X Variable 3 has a significant impact on the dependent variable.

FINDINGS

1. Social media has made financial data and investment insights more accessible, enabling a broader audience to participate in financial markets. Retail investors, in particular, now have easier access to investment strategies and market trends that were previously confined to institutional investors.

2. The rapid dissemination of news, trends, and speculative ideas across social media platforms influences investor sentiment and decision-making. Market movements can be triggered by viral discussions, leading to heightened trading activity.

3. While social media serves as an informative tool, it also presents risks, including the spread of misleading or false information. Market sentiment can be swayed by speculative hype, potentially leading to irrational investment behavior.

4. Investors exposed to collective opinions on social media may be susceptible to herd behavior, following market trends without critical evaluation. This can contribute to price volatility and speculative bubbles.

5. The unregulated nature of social media-driven financial discussions presents challenges for regulators and financial institutions in maintaining market integrity.

RECOMMENDATIONS

1. Investors should be encouraged to develop critical evaluation skills to differentiate between credible financial insights and speculative noise. Educational programs focusing on digital financial literacy can help mitigate impulsive investment behavior.

2. Regulatory bodies should develop frameworks to monitor market manipulation through social media. Transparency in online financial discussions should be encouraged to maintain market stability.

3. Financial institutions and investment platforms can implement AI-driven tools to verify and flag misleading information circulating on social media.

4. Investors should complement social media-based insights with fundamental and technical analysis, rather than relying solely on trending discussions.

5. Strengthening the collaboration between investors, regulatory authorities, and financial institutions can help develop best practices for responsible social media use in financial decision-making.

CONCLUSION

Social media has reshaped the investment landscape by democratizing financial information, fostering market participation, and influencing investor sentiment. While its benefits are substantial, the risks associated with misinformation, herd behavior, and speculative trading highlight the need for caution. Investors must navigate an environment where credible financial insights and speculative hype coexist, necessitating a balanced approach to investment decision-making.

To ensure market stability and protect investors, a combination of financial literacy, regulatory oversight, and technological interventions is essential. While social media serves as a valuable tool, sound investment decisions must be grounded in comprehensive analysis and informed judgment rather than social media-driven speculation.

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