

THE ROLE OF SOCIAL MEDIA IN SHAPING INVESTMENT DECISIONS

Madhu Priya.G¹, Dr. A. Geetha²

¹*Final Year MBA Student, Mother Teresa Women's University Research and Extension Centre, Chennai.*
Email ID: gmadhupriya2003@gmail.com

²*HOD, Department of Management Studies, Mother Teresa Women's University, Kodaikanal.*
Email ID: geetha.ap30@gmail.com

Abstract—*Social media has emerged as an important source of information influencing investment decisions among individual investors. Platforms such as Twitter, YouTube, Instagram, and online forums provide real-time market updates, expert opinions, and peer discussions that shape investors' perceptions and behaviour. Social media influences investment decisions by increasing information accessibility, reducing information gaps, and affecting investor sentiment through trends, recommendations, and viral content. However, it may also lead to biased decisions, herd behaviour, and increased market volatility due to misinformation and emotional reactions. This study examines the role of social media in influencing investment decisions, focusing on its impact on investor awareness, risk perception, and decision-making patterns.*

Keywords: *Social Media, Investment Decisions, Investor Behaviour, Market Information, Financial Products.*

INTRODUCTION

Social media plays a significant role in shaping the investment decisions of individual investors by providing easy access to financial information and market updates. Platforms such as Twitter, YouTube, Instagram, and online forums enable investors to follow market trends, company news, and expert opinions in real time, helping them make quicker investment decisions. Social media also influences investor behaviour by spreading opinions, recommendations, and experiences shared by other investors. Peer discussions and influencer content often build confidence or fear, which affects risk perception and investment choices. Many individual investors rely on these platforms to understand complex financial products in a simple and relatable manner.

However, social media can also encourage herd behaviour and emotional decision-making. Viral investment trends and unverified information may lead investors to follow others without proper analysis, increasing the risk of poor investment outcomes. Thus, while social media enhances awareness and participation in financial markets, it also requires investors to be cautious and critical of the information they consume.

HOW SOCIAL MEDIA PLATFORMS PROVIDE INVESTMENT-RELATED INFORMATION AND MARKET INSIGHTS

Social media platforms provide investment-related information by sharing real-time market news, stock updates, and economic developments. Investors follow financial pages, market analysts, companies, and news channels to receive instant updates on price movements, earnings announcements, and policy changes.

These platforms also offer expert opinions and educational content in the form of videos, posts, live sessions, and infographics. Complex investment concepts such as stock analysis, mutual funds, and cryptocurrencies are explained in an easy-to-understand manner, helping individual investors improve their financial knowledge and decision-making skills.

In addition, social media enables peer interaction and discussion through comments, groups, and forums. Investors exchange experiences, strategies, and recommendations, which provide practical market insights and different perspectives. This collective sharing of information helps investors identify trends, assess market sentiment, and make informed investment decisions, though careful verification of information is essential.

IMPACT OF SOCIAL MEDIA ON INVESTOR AWARENESS AND KNOWLEDGE ABOUT FINANCIAL PRODUCTS

Social media has significantly improved investor awareness by making information about financial products easily accessible. Individual investors can learn about stocks, mutual funds, bonds, cryptocurrencies, insurance, and other investment options through posts, videos, blogs, and live discussions shared on various platforms. This constant flow of information helps investors stay updated on new financial products and market developments.

Social media also enhances financial knowledge by simplifying complex investment concepts. Educational videos, tutorials, and expert analyses explain topics such as risk–return trade-off, portfolio diversification, and market trends in a simple and understandable manner. This helps investors, especially beginners, to gain confidence and make more informed investment decisions.

However, the quality of knowledge gained depends on the reliability of the information source. While social media increases awareness, it may also spread misleading or incomplete information. Therefore, investors need to critically evaluate content and verify it with trusted financial sources before making investment decisions.

INFLUENCE OF ONLINE OPINIONS, REVIEWS AND RECOMMENDATIONS ON INVESTMENT CHOICES

Online opinions, reviews, and recommendations play a crucial role in shaping the investment choices of individual investors. Through social media platforms, blogs, forums, and financial communities, investors are exposed to experiences and viewpoints shared by others, which influence their perception of investment opportunities. Positive reviews and favorable recommendations often increase investor confidence and encourage investment, while negative opinions may discourage investors.

Recommendations from financial influencers, market experts, and peer investors also affect decision-making by simplifying complex investment information. Many individual investors rely on these opinions as a reference point, especially when they lack financial expertise or access to professional advisory services. This can lead to quicker investment decisions based on perceived credibility and popularity.

However, excessive dependence on online opinions may result in biased or irrational investment choices. Herd behavior, overconfidence, and the spread of unverified information can negatively affect investment outcomes. Therefore, while online reviews and recommendations enhance awareness and influence choices, investors should combine them with independent analysis before making investment decisions.

EFFECT OF SOCIAL MEDIA ON INVESTOR RISK PERCEPTION AND DECISION-MAKING BEHAVIOR

Social media significantly influences investor risk perception by shaping how market information is presented and interpreted. Continuous exposure to market news, success stories, and trending investment opportunities can make certain investments appear less risky or more profitable than they actually are. Positive sentiment and hype on social media often reduce perceived risk, encouraging investors to take higher risks.

Social media also affects decision-making behaviour by triggering emotional responses such as fear, greed, and overconfidence. Viral posts, influencer recommendations, and rapid information sharing can lead investors to make quick decisions without proper analysis. During market volatility, negative news and pessimistic discussions may increase fear, leading to panic selling or avoidance of investment.

Furthermore, social media encourages herd behavior, where investors follow popular trends rather than relying on fundamental analysis. While social media improves awareness and speed of decision-making, it may also result in impulsive and biased investment behavior. Hence, investors need to critically evaluate information and manage risk perception carefully before making investment decisions.

POSITIVE AND NEGATIVE IMPACTS OF SOCIAL MEDIA ON INVESTMENT DECISIONS

➤ POSITIVE IMPACTS

Social media provides easy and quick access to investment-related information and real-time market updates. It helps investors to improve awareness and financial knowledge through educational content, expert opinions, and discussions. Social media also enables interaction with other investors, allowing the sharing of experiences and insights, which can support better decision-making. For individual investors, especially beginners, it reduces information gaps and increases participation in financial markets

➤ **NEGATIVE IMPACTS**

Despite its benefits, social media can negatively influence investment decisions due to the spread of misinformation and unverified advice. Excessive reliance on online opinions and influencer recommendations may lead to herd behaviour and emotional decision-making. Market hype, rumours, and exaggerated success stories can distort risk perception, resulting in impulsive investments and potential financial losses. Therefore, investors must critically evaluate information and rely on proper analysis before making investment decisions.

WHETHER SOCIAL MEDIA LEADS TO HERD BEHAVIOR AMONG INVESTORS

Social media often leads to herd behaviour among investors by rapidly spreading opinions, trends, and investment recommendations. When investors frequently see the same stocks or financial products being discussed positively on social media platforms, they tend to follow the crowd rather than rely on independent analysis. This collective behaviour is driven by fear of missing out (FOMO) and the desire to imitate perceived successful investors.

Social media amplifies herd behaviour through viral posts, influencer endorsements, and large online communities where similar viewpoints are repeatedly reinforced. Continuous exposure to popular investment narratives can create overconfidence and reduce critical thinking, especially among inexperienced investors. As a result, many investors make decisions based on market sentiment rather than fundamentals.

However, while social media increases the likelihood of herd behaviour, its impact varies depending on investor awareness and financial literacy. Informed investors who verify information and apply proper risk assessment are less likely to be influenced by social media-driven herd behaviour. Thus, social media can encourage herding, but its effects can be managed through informed and rational decision-making.

Advantages of Social Media on Investment Decisions

- Provides quick and easy access to real-time market information and news.
- Improves investor awareness and financial knowledge through educational content.
- Helps individual investors understand complex financial products in a simple way.
- Enables interaction with experts and other investors for sharing views and experiences.
- Reduces information gaps and increases participation in financial markets.

Disadvantages of Social Media on Investment Decisions

- Spreads misinformation, rumours, and unverified investment advice.
- Encourages herd behaviour and fear of missing out (FOMO).
- Influences emotional decision-making rather than rational analysis.
- Overreliance on influencers and online opinions may lead to poor investment choices.
- Increases market volatility due to rapid reaction to social media trends

RISKS AND CHALLENGES

Despite its advantages, social media also poses significant risks. The spread of misinformation, fake news, biased opinions, and promotional content can mislead investors. Overdependence on social media may reduce rational analysis and increase impulsive decision-making. Investors may also fall victim to market manipulation, pump-and-dump schemes, and unrealistic return expectation

Furthermore, social media significantly contributes to herd behaviour, where investors imitate others' actions due to fear of missing out, rather than relying on fundamental or technical analysis. Emotional reactions such as panic during market downturns and excessive optimism during market upswings are amplified through online discussions and viral posts, resulting in impulsive buying or selling decisions. These behaviours can increase market volatility and expose individual investors to higher financial risk. Therefore, while social media enhances access to information, managing its risks requires financial literacy, critical evaluation, and cautious decision-making by investors.

CONCLUSION

Social media has become a powerful factor influencing the investment decisions of individual investors. It plays a significant role in increasing investor awareness, improving access to market information, and enhancing knowledge about various financial products. Through real-time updates, expert opinions, and peer interactions, social media supports informed and timely investment decisions. However, social media also presents challenges such as misinformation, herd behaviour, and emotional decision-making. Excessive dependence on online opinions and trending investment content can distort risk perception and lead to irrational investment choices. Therefore, while social media serves as a valuable tool for investors, its effectiveness depends on the ability of individuals to critically evaluate information and combine it with sound financial analysis. A balanced and cautious approach is essential to maximize the benefits of social media while minimizing its negative impact on investment decisions.

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