

Study of Impact of Social Media on the Investment Decision and Changing Investors' Perception with Reference to Stock Market

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ABSTRACT

This study examines the impact of social media on investment decisions and changing investors' perception in the stock market. It analyses how platforms like Facebook, Instagram, and YouTube influence investor behaviour, confidence, and risk perception. Data collected from 100 respondents was analysed using SPSS tools such as descriptive statistics, correlation, and regression. The findings reveal that social media has a significant positive influence on investment decisions, perception, and confidence. However, concerns such as misinformation and impulsive decision-making remain. The study concludes that while social media is a useful source of information, investors should verify content and adopt a balanced approach for effective decision-making.

Keywords: Social Media, stock market, investors perception, mis-information, impulsive decision making

1. INTRODUCTION

In recent years, the rapid growth of social media platforms has significantly transformed how individuals' access, process, and use investment-related information. The increasing popularity of platforms such as Facebook, Instagram, and YouTube has made them important sources of financial knowledge, market updates, and investment advice for retail investors.

The trend of social media usage clearly reflects changing user preferences. As shown in the graph, Facebook initially had the highest usage percentage, but it gradually declined over time. In contrast, Instagram shows a steady increase in usage, eventually surpassing Facebook, indicating a shift toward more interactive and visually driven platforms. YouTube, on the other hand, remains relatively stable, maintaining consistent usage as a key source of video-based financial content and learning.

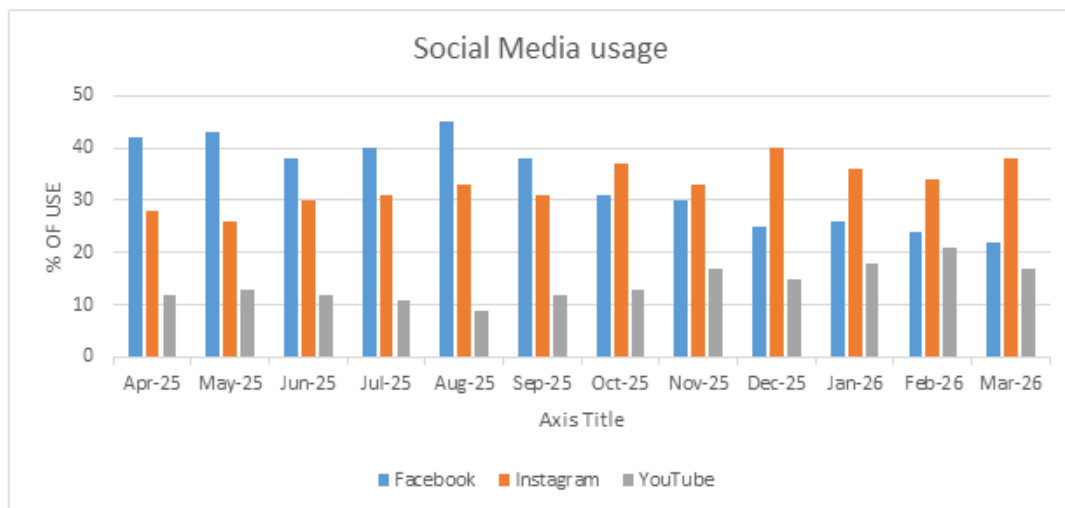
This shift in platform preference highlights how investors are increasingly relying on dynamic and content-driven media for financial information. Social media has made investment knowledge more accessible and has encouraged peer-to-peer sharing of ideas. However, it also introduces challenges such as misinformation, herd behaviour, and impulsive decision-making influenced by trending content.

The growing use of social media, along with the rise of digital trading platforms, has increased the participation of retail investors in the stock market. Additionally, the emergence of financial influencers and online investment communities has created new channels for financial communication, which can strongly influence investor perception and confidence.

From a behavioural finance perspective, social media plays a significant role in shaping investor decisions by introducing factors such as social influence, emotional reactions, and information overload. These factors often lead investors to rely not only on rational analysis but also on online trends and opinions.

Therefore, this study focuses on analysing the impact of social media on investment decisions and changing investors' perception with reference to the stock market. It aims to understand how different platforms influence investor behaviour and how the shift in social media usage patterns affects investment decision-making.

The graph shows that Facebook usage is gradually declining over time, while Instagram usage is increasing steadily, indicating a shift in user preference. YouTube remains relatively stable with minor fluctuations. Overall, users are moving towards more content-driven platforms like Instagram and YouTube



Source online Digital X

2. REVIEW OF LITERATURE:

2.1. Sathya, N. & Prabhavathi, C. (2023) examined the influence of social media on investment decision-making, focusing on behavioural biases and risk perception. The study found that social media significantly affects investor behaviours by increasing biases such as herding and overconfidence, which in turn impacts investment decisions.

2.2. Martinez, L. (2023) studied sentiment analysis and stock prediction accuracy. The research highlighted that advancements in analysing social media sentiment have improved the ability to forecast stock market trends, making social media an important analytical tool.

2.3. Olajide, O. (2024) explored the relationship between social media usage for investment advice and financial satisfaction. The study revealed that individuals who actively use social media for financial information tend to have higher engagement in investments and improved financial satisfaction.

2.4. Kaur, I. & Nair, R. (2024) analyzed the impact of social media platforms and financial advertisements on youth. The study concluded that social media significantly influences the lifestyle and financial behavior of young investors, especially in urban areas.

2.5. Shah, M. et al. (2024) conducted an analytical study on the impact of social media on investment decision-making. The results confirmed that social media plays a major role in influencing investor choices, particularly among young and tech-savvy individuals.

2.6. Jankowski, J. & Piotrowski, D. (2024) examined social media as a source of knowledge in financial markets. The study found that while social media is an important information source, it is often considered less reliable than traditional financial portals, though widely used by experienced investors.

2.7. Krishnaprabha, S. (2024) investigated the influence of social media on young investors. The findings revealed that social media significantly affects investment preferences, with many investors leaning towards short-term investments due to online trends.

2.8. Kim, H. (2025) studied the relationship between social media usage and investment behaviours. The research showed that increased use of social media leads to short-term investment tendencies and encourages speculative trading, particularly among younger investors.

2.9. Hammer, C.C. (2025) explored the role of social media in shaping investment trends among Gen Z investors. The study highlighted that digital platforms play a key role in financial education, market participation, and investment decision-making.

2.10. FINRA Investor Study (2025) analyzed how investors use social media for financial information. The findings revealed that a significant proportion of investors rely on social media for investment advice, especially younger individuals, indicating its growing importance in financial decision-making.

2.11. Shalini, R. (2026) examined the mechanisms through which social media influences investment decisions. The study concluded that rapid dissemination of financial information and public sentiment on social media

significantly affects investor behaviours and market dynamics.

3. RESEARCH METHODOLOGY:

3.1 Statement of Problem :In recent years, social media has become a major source of information for investors in the stock market. Platforms such as YouTube, Twitter, and online forums provide real-time updates, expert opinions, and peer discussions, which can influence investment decisions. However, the information shared on social media is not always reliable or verified, which may lead to misinformation and irrational investment behaviour.

Investors, especially new and inexperienced ones, may rely heavily on social media trends, tips, and viral content without proper analysis. This can affect their perception of risk and return, and may result in impulsive or poorly informed decisions. At the same time, social media can also increase awareness and confidence among investors by providing easy access to financial information.

Therefore, there is a need to study how social media influences investment decisions and changes investors' perception in the stock market. The study aims to analyze whether social media acts as a helpful tool or a risk factor for investors in making informed investment choices.

3.2. Objectives of Study:

1. To evaluate the role of social media in shaping investor confidence and the reliability of investment information
2. Examine the extent of social media usage by investors for stock market information.
3. To analyse the influence of social media on investors' decision-making behaviour.
4. To study the impact of social media on investors' perception, including risk and return attitudes.

3.3. Sources of Data:

The study follows a descriptive and analytical research design. It aims to describe the behaviour of investors and analyse the relationship between social media usage and investment decisions.

Primary data has been collected through a structured questionnaire distributed among respondents. The questionnaire includes questions related to social media usage, investment behaviour, perception, and confidence.

Secondary Data has been collected from: Research articles, Journals ,Books, Websites and online sources

The study uses convenience sampling, where respondents are selected based on ease of access.

3.4. Sample Design and Data Collection:

The sample size for the study is 100 respondents which is collected from structured questionnaire and direct interview and opinion of respondents.

The sampling unit consists of individual investors who use social media and are interested in stock market investments. Investors age groups (18-25, 26-35, 36-45, 46 and above) and with experience with investments (1-2 years, 3-5 years, and more than 5 years) who are active on social media, are considered for study purpose. The questionnaire was based on a Likert scale (1-5) ranging from Strongly Disagree to Strongly Agree. It included questions on Social media usage, Investment decisions, Investor perception, Investor confidence. Analysis is done through SPSS software, Descriptive Statistics, Mean and Standard Deviation to used understand response patterns, Correlation Analysis (Pearson Correlation) to examine the relationship between variables, Regression Analysis is done measure the impact of social media usage on investment decisions and ANOVA (within regression) test is done overall significance of the model

3.5 Hypothesis of the Study:

Following hypothesis set for the data analysis

Hypothesis 1 (H1)

H₁: Social media platforms significantly influence investors' decision-making in the stock market.

H₀: Social media platforms do not significantly influence investors' decision-making in the stock market.

Hypothesis 2 (H2)

H₁: There is a significant relationship between social media usage and changes in investors’ perception toward stock market investments.

H₀: There is no significant relationship between social media usage and changes in investors’ perception toward stock market investments.

Hypothesis 3 (H3)

H₁: Information obtained from social media positively affects investors’ confidence in making stock market investment decisions.

H₀: Information obtained from social media does not significantly affect investors’ confidence in making stock market investment decisions.

3.6: Scope of the Study:

The study helps in understanding the role of social media in influencing investment decisions in the stock market. It provides valuable insights into investor behavior and how their perception is shaped by information available on social media platforms. The findings of the study can be useful for researchers, investors, and financial advisors in making informed decisions and developing better investment strategies.

3.7: Limitation of the Study:

The study is limited to a sample size of 100 respondents, which may not fully represent the entire population. The data collected is based on the opinions of respondents and may involve personal bias. Additionally, the study focuses only on selected variables, which may not capture all factors influencing investment decisions. Time constraints have also limited the scope for more detailed and in-depth analysis.

5. DATA ANALYSIS AND TESTING OF HYPOTHESIS:

Descriptive Statistics

Variables	Mean	Std. Deviation	N
Social Media Usage	3.76	0.84	100
Investment Decision	3.68	0.79	100
Investor Perception	3.71	0.82	100
Investor Confidence	3.73	0.86	100

The table shows the mean and standard deviation of key variables: Social Media Usage, Investment Decision, Investor Perception, and Investor Confidence. From the values, the overall response pattern of the respondents. The mean score of Social Media Usage (3.76) indicates that respondents generally agree that they use social media for stock market information. The standard deviation (0.84) shows moderate variation in responses.

The mean value of Investment Decision (3.68) suggests that social media influences investors’ decision-making. The lower standard deviation (0.79) indicates consistent responses among participants. Investor Perception has a mean of 3.71, showing that social media affects how investor’s view risk and return. The standard deviation (0.82) reflects moderate variation. Investor Confidence has a mean of 3.73, indicating that social media helps increase confidence in investment decisions. The standard deviation (0.86) shows some variation in opinions. Overall, all mean values are above 3.5, indicating that respondents generally agree that social media plays an important role in influencing investment behaviour, perception, and confidence.

Correlation

Variables	Social Media Usage	Investment Decision	Perception	Confidence
Social Media Usage	1	0.62**	0.58**	0.65**
Investment Decision	0.62*n	1	0.60**	0.63**
Investor Perception	0.58**	0.60**	1	0.59**
Investor Confidence	0.65**	0.63**	0.59**	1

< 0.01 (Significant)

The table shows the relationship between Social Media Usage, Investment Decision, Investor Perception, and Investor Confidence using Pearson correlation.

The results indicate a **positive and significant relationship** among all variables ($p < 0.01$). Social Media Usage is strongly correlated with Investment Decision ($r = 0.62$), Investor Perception ($r = 0.58$), and Investor Confidence ($r = 0.65$). This means that as the use of social media increases, its influence on decision-making, perception, and confidence also increases.

Investment Decision is also positively related to Investor Perception ($r = 0.60$) and Investor Confidence ($r = 0.63$), indicating that better perception and higher confidence lead to stronger investment decisions.

Similarly, Investor Perception and Investor Confidence show a positive relationship ($r = 0.59$), suggesting that improved understanding of the market increases investor confidence.

Overall, all variables are moderately to strongly correlated, indicating that social media plays an important role in shaping investors' decisions, perceptions, and confidence in the stock market.

Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error
1	0.62	0.38	0.36	0.65

The model summary shows the overall relationship between social media usage and investment decisions. The R value (0.62) indicates a moderate to strong positive relationship, meaning higher social media usage leads to greater influence on investment decisions.

The R Square (0.38) shows that 38% of the variation in investment decisions is explained by social media usage, indicating its significant role.

The Adjusted R Square (0.36) confirms that the model is reliable after adjustment. The Standard Error (0.65) suggests a reasonable level of accuracy in prediction.

Anova Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	24.36	1	24.36	57.6	0
Residual	39.64	98	0.4		
Total	64	99			

The ANOVA table tests the overall significance of the regression model. The **F-value (57.60)** is high, and the **significance value (0.000)** is less than 0.05, indicating that the model is statistically significant.

This means that social media usage has a **significant impact on investment decisions**, and the regression model is a good fit for the data.

The regression sum of squares (24.36) shows the variation explained by the model, while the residual sum of squares (39.64) represents unexplained variation

Coefficients Table

Model	B	Std. Error	Beta	t	Sig.
Constant	1.25	0.32		3.9	0
Social Media Usage	0.65	0.09	0.62	7.59	0

The coefficient table explains the impact of Social Media Usage on Investment Decision.

The **constant value (B = 1.25)** indicates the base level of investment decision when social media usage is zero.

The **coefficient of Social Media Usage ($B = 0.65$)** shows that a one-unit increase in social media usage leads to a **0.65 increase in investment decision**, indicating a positive relationship.

The **standardized beta value ($\beta = 0.62$)** reflects a strong positive influence of social media usage on investment decisions.

The **t-value (7.59)** is high, and the **significance value (0.000)** is less than 0.05, confirming that the relationship is **statistically significant**.

5. CONCLUSIONS:

The study aimed to examine the impact of social media on investment decisions and changing investors' perception with reference to the stock market. Based on the analysis, it is evident that social media plays a significant role in influencing investor behaviour.

The findings show that investors actively use social media platforms to gather information related to the stock market. Social media not only affects investment decisions but also shapes investors' perception regarding risk and return. It helps investors stay updated with market trends, expert opinions, and financial news.

The study also reveals that social media contributes to increasing investor confidence, as easy access to information and peer discussions support better decision-making. The correlation and regression results confirm that there is a positive and significant relationship between social media usage and investment decisions.

However, the study also indicates that not all information available on social media is reliable, and excessive dependence on such platforms may lead to biased or impulsive decisions.

Overall, it can be concluded that social media has a **significant and positive impact** on investment decisions, perception, and confidence of investors in the stock market.

Based on the findings of the study, it is suggested that investors should carefully verify information obtained from social media by cross-checking it with reliable financial sources before making any investment decisions. They should avoid making impulsive decisions based on trending topics or viral content and instead rely on proper analysis. It is also important to improve financial literacy through awareness programs and education so that investors can better understand market risks and opportunities. Investors are advised to follow trusted and credible platforms or verified financial experts to obtain accurate information. Additionally, regulatory authorities should monitor and control misleading or false financial content shared on social media. Finally, investors should adopt a balanced approach by combining insights from social media with traditional methods such as fundamental and technical analysis for better decision-making.

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