

Exploring the Impact of Social Media on Investment Behaviour of Young Investors

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Abstract

This study examines the influence of social media on the investment behaviour of young investors, focusing on its role in shaping investment preferences, such as the choice between short-term and long-term investments. Given the increasing use of digital platforms by young adults, social media is playing a pivotal role in shaping financial decisions. This study uses a combination of statistical analyses, including Chi-Square Test of Independence, Correlation Analysis, and Regression Analysis, to evaluate the relationship between social media influence and investment behaviours. The results suggest that social media significantly impacts the investment decisions of young adults, with those influenced by social media preferring short-term investments and displaying more active engagement in investment activities.

Keywords-Social Media, Investment Behaviour, Young Investors, Short-Term Investments, Long-Term Investments, Social Media Influence, Investment Preferences, Investor Sentiment, Financial Markets.

I.INTRODUCTION

The role of social media in modern-day decision-making is undeniable, especially in areas like finance and investments. With platforms like Twitter, Facebook, Instagram, and YouTube providing vast amounts of information on investment trends, stock market movements, and financial advice, young investors are increasingly turning to these platforms to shape their financial behaviours. While there has been much debate regarding the influence of social media on investor psychology, there is limited empirical research examining how social media affects the investment decisions of young adults, particularly in relation to short-term vs. long-term investment horizons.

The aim of this study is to explore the extent to which social media influences the investment behaviour of young investors. Specifically, it seeks to understand if increased social media usage leads to more active investment behaviour and a preference for short-term investment strategies. Through various data analysis techniques, this study investigates the relationship between social media influence, investment activity, and individual factors like age and income.

II.LITERATURE REVIEW

The intersection of social media and investment behaviour has garnered growing interest in recent years, particularly with the rise of retail trading and financial discussions on platforms such as Reddit, Twitter, and TikTok. Previous studies have shown that social media can significantly shape investor sentiment and decision-making.

This literature review explores key studies related to social media's impact on financial decisions, young investors' behaviours, and how social media is reshaping the landscape of financial markets.

Social Media and Investor Sentiment

One of the primary ways in which social media influences investment behaviour is through the shaping of investor sentiment. A study by **Antweiler and Frank (2004)** found that discussions on financial news websites and forums could impact stock market returns. Their research showed that more positive or negative sentiment expressed in online forums could predict stock price movements. This effect was most pronounced for smaller, less liquid stocks, which are more susceptible to sentiment shifts.

Similarly, **Bollen et al. (2011)** conducted a sentiment analysis of Twitter feeds and found that the overall mood of Twitter posts could predict stock market movements. Their study showed that positive sentiment in tweets was correlated with rising stock prices, while negative sentiment predicted a decline. These findings support the idea that social media has a direct effect on market behaviour, as investors are increasingly exposed to opinions and recommendations shared online.

Social Media and Young Investors

In the context of young investors, **Eisenstein et al. (2020)** explored how millennials and Gen Z individuals are leveraging social media platforms for investment insights. Their study found that these younger generations are more likely to be influenced by financial advice found on social media than older generations. Young investors often turn to social media for quick advice or insights, which may drive them toward speculative or high-risk investments.

Moreover, **Veldhuizen (2022)** found that social media-driven investment behaviour is often impulsive, with young investors making decisions based on short-term information or trends without conducting thorough research. Platforms like **Reddit's WallStreetBets** and **TikTok's FinTok** have gained attention for encouraging risky, short-term trading strategies, sometimes leading to market volatility.

Short-Term vs. Long-Term Investment Preferences

Social media's influence on short-term vs. long-term investment strategies is also significant. A study by **Wang et al. (2016)** found that social media discussions often focus on short-term price movements and quick gains, which can drive investors toward short-term trading strategies. On the other hand, **Brown and Reiley (2020)** observed that traditional investment advice found on well-established financial websites tends to advocate for long-term investment approaches, which could counterbalance the short-term focus often seen in social media platforms.

While **long-term investing** requires a disciplined, patient approach, **short-term trading** often thrives on speculation, market rumours, and trends discussed on social media platforms. The growing influence of social media on young investors suggests that there may be a shift in how investment horizons are defined for this generation.

III. METHODOLOGY

This section outlines the research design, sampling technique, and data collection process used to investigate the impact of social media on the investment behaviour of young investors.

Sample Design and Data Collection

The sample for this study consisted of 133 young investors aged 18-35, selected through purposive sampling. This age range was chosen to focus on individuals who are typically more active on social media platforms and likely to be engaged in investment activities. The respondents were selected based on their relevance to the research criteria: young investors with experience or interest in investments. To ensure a representative sample, the survey was distributed through multiple channels, including brokerage firms, friends and family, and social media platforms.

Data was collected via an online structured questionnaire, which focused on various aspects of investment behaviour, social media influence, and investment horizons (short-term vs. long-term). The questionnaire was designed to capture detailed information on how social media platforms affect investment choices and the frequency of engagement with these platforms.

The data collection process took place over a period of six weeks to allow for adequate response rates and to ensure a diverse range of responses. The total sample size of 133 was deemed sufficient to analyze investment behaviours and trends, providing a robust dataset for statistical analysis.

IV. DATA ANALYSIS

This section presents the data analysis, which aims to uncover the statistical relationships between social media influence and investment behaviour. Three primary analyses were conducted: **Chi-Square Test of Independence**, **Correlation Analysis**, and **Regression Analysis**. These analyses help answer whether social media influence significantly impacts investment decisions, preferences for short-term vs. long-term investments, and the role of demographic factors such as income and age.

Chi-Square Test of Independence: Social Media Influence and Investment Horizon

The Chi-Square Test of Independence was conducted to determine whether there is a significant association between the frequency of social media influence and the investment horizon preferred by investors (short-term vs. long-term). The null hypothesis proposed that no relationship exists between these two variables, meaning that the frequency of social media influence does not affect an investor's choice of investment horizon.

Table 1: Relationship Between Social Media Influence and Investment Horizon (Short-Term vs. Long-Term)

Social Media Influence	Short-term	Long-term
Often	21	0
Sometimes	21	21
Rarely	21	5
Very Often	21	16
Occasionally	4	3

- **Chi-Square Statistic (χ^2):** 18.7
- **Degrees of Freedom (df):** 4
- **p-value:** 0.019

Since the p-value (0.019) is less than the significance level of 0.05, the null hypothesis is rejected. This result indicates a statistically significant relationship between social media influence and investment horizon. The findings suggest that the frequency of social media influence impacts investment decisions, with individuals who experience greater social media influence tending to prefer short-term investments. Conversely, those who are less influenced by social media show a stronger inclination towards long-term investments. This highlights the potential of social media as a factor in shaping investor behaviour and decision-making patterns.

Correlation Analysis: Social Media Usage and Investment Behaviour

A Pearson correlation analysis was conducted to examine the relationship between social media usage and investment behaviour. The aim was to determine if more frequent use of social media correlates with more active investment behaviour.

Table 2: Correlation Between Social Media Usage and Investment Behaviour

Variable	Social Media Usage	Investment Behaviour
Social Media Usage	1.00	0.45*
Investment Behaviour	0.45*	1.00

- **Significance (p-value):** 0.002

The correlation coefficient of 0.45 indicates a moderate positive relationship between social media usage and investment behaviour. The p-value (0.002) confirms that this correlation is statistically significant, suggesting that individuals who spend more time on social media platforms are more likely to engage in investment activities.

Regression Analysis: Predicting Investment Behaviour

Regression analysis was used to predict investment behaviour based on social media influence, age, and income. The dependent variable was the preference for short-term or long-term investments.

Table 3: Regression Analysis Results for Predicting Investment Behaviour

Variable	Coefficient (β)	Standard Error	t-Statistic	p-value
Intercept (β_0)	2.50	0.65	3.85	0.0004
Social Media Influence	0.35	0.12	2.92	0.004
Age	0.02	0.01	1.92	0.058
Income	0.01	0.005	2.00	0.048

- **R-squared:** 0.38
- **Adjusted R-squared:** 0.36

The model indicates that social media influence is a significant predictor of investment behaviour. The positive coefficient for social media influence (0.35) suggests that as social media influence increases, so does the preference for long-term investments. Age and income also have some predictive value, though social media influence is the most significant predictor.

V.DISCUSSION

The findings of this study support the hypothesis that social media has a significant impact on investment behaviour, particularly in terms of short-term vs. long-term investment preferences. The Chi-Square test showed that increased

social media influence is associated with a preference for short-term investments. The correlation analysis confirmed that more frequent use of social media correlates with more active engagement in investment decisions.

These results are consistent with previous research that suggests social media can shape investor sentiment and decision-making. However, the study also highlights the unique behaviours of young investors, who are more likely to engage in short-term, speculative investment strategies due to the influence of social media platforms. While traditional investment advice emphasizes long-term strategies, social media's role in the dissemination of quick, trend-driven advice seems to encourage a more active, short-term approach.

VI. CONCLUSION

This study has demonstrated that social media significantly impacts the investment behaviour of young investors. Through statistical analysis, it was found that social media usage is positively correlated with more active investment engagement and a preference for short-term investment strategies. Social media platforms offer young investors quick access to financial news and trends, which drives them toward speculative, short-term trading decisions.

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