

## Role Of Social Media Usage on Reshaping Investment Decisions

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**Abstract:** The present study aims to explore the impact of social media usage on the investment preferences and Behaviour of youth. The study primarily focuses on the social media factors influencing the Behaviour of youth towards their investment preference in their day-to-day life. The present study adopts empirical and exploratory research design to gather the perception and preferences of youth in Chennai city of Tamil Nadu towards their usage on social media platforms and its impact on their investment Behaviour and preferences. The non-probability judgment sampling technique was adopted to collect primary data using questionnaire method. The statistical techniques such as, percentage analysis, simple linear regression analysis has been applied to understand the impact of social media factors on investment Behaviour. The findings align with foundational theories (TAM, TPB) and contemporary research on digital finance, underscoring social media's transformative role in reshaping investment behavior. Future research could integrate behavioral economics frameworks to address unexplained variance and refine predictive models, ensuring alignment with the evolving digital landscape. Influencers can leverage their reach to promote positive investment behaviors, reducing the influence of herding behavior and improving informed decision-making.

**Keywords:** Social Media, Social Interaction, Investment Preference, Herding Behaviour, Investment Knowledge and Youth.

### 1. Introduction

Social media has transformed the way people obtain and interact with financial information in recent years. One of the most important changes is the rise of social media financial influencers. They utilize platforms such as Instagram, YouTube, and Twitter to provide insights, guidance, and tactics related to personal finance, investing, and wealth management. Commonly known as "FinFluencers," these people have become highly popular, especially among younger demographics looking for relatable and easy-to-understand financial advice. FinFluencers differ from conventional financial advisors by offering complex financial ideas in simplified, engaging, and easily understandable formats. This approach makes them attractive to individuals who may feel daunted or excluded by traditional finance. Their content covers a diverse array of subjects, such as budgeting, stock market analysis, and retirement planning, often featuring personal anecdotes that foster authenticity and trust.

The increasing impact of social media financial influencers, however, has ignited discussions regarding their trustworthiness and the possible dangers linked to their recommendations. While certain influencers have formal financial qualifications, others depend only on personal experience or self-taught knowledge, leading to concerns about the accuracy and reliability of their recommendations. Regulatory bodies in various countries have begun addressing these issues, underscoring the need for transparency and accountability concerning financial content shared online. Despite these challenges, FinFluencers are still essential for democratizing financial education.

They are revolutionizing the personal finance landscape in the digital era by empowering individuals to take control of their financial destinies, thereby making it more inclusive and accessible to a broader audience.

The emergence of young investors has significantly reshaped the financial landscape in recent years. This generation, consisting of Millennials and Gen Z, is redefining conventional investment practices by harnessing technology and adopting innovative financial tools, typically aged between 18 and 35. Having been raised in the digital era, young investors enjoy a level of access to information and investment platforms that is unprecedented. They have been enabled to seize control of their financial futures—often without the help of conventional financial advisors—by mobile trading applications, robo-advisors, and online brokerage accounts. With this approach, which combines a long-term investment perspective with tech-savviness, young investors have been able to investigate various opportunities, including stocks, bonds, cryptocurrencies, and non-fungible tokens (NFTs).

Young investors are distinguished by their focus on ensuring that their investments reflect their personal values. As they look to back firms that emphasize sustainability and social responsibility, environmental, social, and governance (ESG) principles are becoming increasingly important in their decision-making. This generation also confronts distinctive challenges, including economic uncertainties, burdens of student debt, and the intricacies of a fast-changing financial market. In spite of these challenges, young investors are demonstrating resilience and resourcefulness, frequently seeking out online communities, financial influencers, and educational resources to broaden their understanding. Young investors, by continuing to question established norms and seize new opportunities, are shaping their own financial futures as well as impacting the wider investment landscape.

## 2. Literature Review

Parimalakanthi, K & et al., (2015) examined the investment behavior of retail investors in Coimbatore city, with an emphasis on their preferences for different financial products within the Indian market. The researchers aimed to identify the key factors affecting investment decisions, including principal safety, liquidity, income stability, appreciation, and demographic influences. In addition, the research aimed to comprehend investor inclinations concerning different financial products such as bank deposits, gold, silver, and other investment options. An empirical research method was used by the authors, who gathered data via a structured survey of individual investors in Coimbatore city, India. The findings of the study showed that most individual investors in Coimbatore city favored bank deposits, with gold and silver coming next. Principal safety, liquidity, income stability, and appreciation had a considerable impact on investment decisions. The research demonstrated that most investors relied on the internet for investment-related information, with television and discussions with peers coming next. The authors proposed and concluded that enhanced financial education is necessary to facilitate better investment choices.

Mustafa Yurttadur & et al., (2019) assessed the financial investment preferences of private investors in Istanbul, Turkey. The objective of the study was to identify psychological biases that influence investors' investment choices and decision-making processes, as well as to explore the determinants of socio-demographic characteristics, financial profiles, and psychological biases associated with investment preferences. The authors employed an empirical research method, gathering data via a structured survey from 1,002 individual investors in Istanbul. The research revealed that psychological biases have a considerable impact on the investment decisions of individual investors in Istanbul, leading them to behave irrationally in contrast to what conventional finance theories propose. Additionally, the research found a number of psychological biases that influence investment preferences, such as overconfidence, regret aversion, and emotional tendencies. The research showed that most investors favored gold, deposits in domestic currency, and foreign exchange deposits, suggesting a lack of understanding of portfolio diversification. The authors determined that educational initiatives are necessary to improve investors' financial literacy, especially through public service announcements and training programs.

Pratibha Chaurasia (2017) examined the investment preferences of retail investors in Indore district, India. The study sought to investigate how demographic characteristics relate to investment preferences among individual investors. The demographic traits encompassed age, gender, educational background, and marital status. The

financial products taken into account included life insurance, mutual funds, stocks, capital market debt instruments, bank savings, fixed deposits, precious metals, and government small saving schemes. Additionally, the research aimed to determine which investment options individual investors preferred the most and the least. The researchers utilized an empirical research method, gathering data via a structured research instrument from individual investors in the Indore district. The study's findings indicated a significant link between demographic factors and investment preferences. In addition, the research found that fixed deposits were the most favored investment option, while capital market debt instruments were the least favored. The researcher concluded that investors exhibited a conservative attitude and a lack of awareness about different investment options. The researcher proposed that there is a need for improved financial education and awareness initiatives targeted at individual investors.

Vaibhav Chopra & et al., (2020) attempts to identify the most and least preferred investment avenues of individual investors. This study explores association of demographic characteristics with preferences towards investment avenues of the investors and demographic factors are qualification and occupation of investors. Furthermore, study classifies the investment avenue based on their risk level such as, safe avenues (bank deposits), moderate risk avenues (MF, Bond), high risk avenues (Equity), traditional avenues (Gold/Silver) and emerging avenues (Hedging, private equity, Virtual Real Estate). The study result showed that most of the investors moderately educated and irrespective of the annual income individual were interested in investment, also the highest level of awareness among investors was about less risky, moderate and risky avenues only. Furthermore, study found most preferred investment is bank fixed deposits, life insurance and mutual funds and least preferred avenues were high risk associated avenues such as commodity market and forex market. The authors concluded most individual investors' common objective is investment is maximizing the return and minimizing the risk.

Kajal Gandhi (2015) This study aimed to investigated retail investors' attitude towards stock market investing and to assess their perceptions of the various aspects of the Indian stock market. Furthermore, the study seeks to identify the barriers to participation in the stock market, such as fear of losing the money, lack of knowledge, time constraint to monitor investment, difficulty in documentation & operation, lack of good advisors and lack of stability. The study adopted an empirical research method and collected data through a structured survey instrument of 200 retail investors in Chennai city. The results of the study showed that retail investors do not choose the stock market as a primary destination for investments. Retail investors' preferred investment in bank savings, post office, insurance and metals. Furthermore, the study identified demographic factors that significantly influence investment decisions, such as education and marital status. The researchers found that the fear of losing money is the primary reason why investors try to avoid stock market investment. Also, procedural complexity, inability to monitor investments and absence of stable returns. The researcher concluded improving investment advisory service and market stability is enhancing retail investors participation.

Lubna Ansari & et al., (2013) conducted a study to investigate the factors that affect the investment behavior of young professionals aged between 25 to 35 years old and residents of Lucknow city in India. Individual investors have varying mindsets when making investment decisions, which are influenced by their risk aptitude, financial goals, and external factors such as market sentiments. Authors aim to identify the key determinants affecting the trading behavior of those young investors, particularly focusing on the independence of investment decisions from age and gender, while being dependent on income levels. Researchers employed an empirical research method, primary data collected through structured questionnaires among young investors and a convenient sampling method utilized to collect 200 samples. The study found that investment behavior among young professionals is independent of gender but dependent on age and income levels. Young investors are prioritizing growth and additional income, with risk aversion being a major factor influencing their investment decisions. In addition, the majority of investors consider safety of funds and diversification as key factors guiding their investment choices. Authors concluded young investors are motivated by financial independence and the desire to acquire assets early

in their careers. Authors suggest future research focusing on the psychological factors influencing investment decisions, such as overconfidence and risk aversions.

Shakerin Ismail & et al., (2018) examine the impact of social media on investors investment decisions in Klang Valley, Malaysia. The study aims to explore the relationship between online social media and investment decisions. Furthermore, authors investigated the significance of information in online social media, online community behavior and firm's image in shaping investment decisions. Study adopted an empirical research method and collected data through structured research instruments. The result of the study indicates that all proposed hypotheses had a significant impact on investment decisions of investors, in that firm's image in social media had the most substantial impact on investment decisions, followed by information and online community behavior. Authors suggested future research should be focused on open-ended questionnaires and the influence of different social media platforms on investment decisions.

Daan Mathijs Riefel (2024) conducted a study on the influence of social media exposure on investment decisions among Dutch investors. The study aims to assess how social media impacts investors' propensity to invest and the amount they allocate to investments, Furthermore, the study explores tie strength-the degree of connectedness between individuals on social and role of social media finance influencers. The study found that exposure to financial information on social media significantly increases individuals' likelihood to invest in certain assets and the amount they allocate to these investments. Furthermore, study identified that tie strength does not significantly affect individuals' temptation to invest based on social media posts and financial influencers not to significantly impact individual's investment decisions.

Nidhi Kumari & et al., (2016) conducted an in-depth literature survey on the psychological biases that affect investors' investment decisions. This study reviews the paradigm shift from conventional finance to behavioral finance. The researchers aimed to explore behavioral biases in investment decisions, such as herding, overconfidence, and risk tolerance. Furthermore, they aimed to identify the gap between market and investor sentiment. The authors found key behavioral biases in investment decisions such as herding, overconfidence, and risk tolerance. These investment behavioral biases are important for the paradigm shift from conventional finance to behavioral finance. In addition, the authors identified irrational investors' investment behavior, i.e., behavioral finance, and certain limitations in conventional finance. The researchers suggested raising investment awareness among investors and financial practitioners, and encouraging customized financial products for individual investors.

Vishnu Maniya. & et al., (2022) examine how social media can be used effectively in investment decisions and analyzing user behavior towards investment platforms. The study utilized both qualitative and quantitative methods. The study revealed that investors showed a preference for investing in the equity market, followed by mutual funds. Social media platforms, especially Instagram, provide and shape investment-related information. Moreover, a noteworthy connection was discovered between gender and investment preferences and choices. Finally, there were observed high-level associations between investment source options and the use of social media platforms.

### 3. Statement of the Problem

As the financial landscape has grown more complex and investment options and financial products have multiplied, individuals seeking to make informed financial decisions have encountered considerable difficulties. This study examines three important and interrelated matters: how to gauge financial knowledge, the ignorance regarding investment preferences, and how consumer behavior is affected by deceptive advertising. These issues together impede people from attaining financial well-being and have wider consequences for economic stability and consumer protection.

A fundamental aspect of sound financial decision-making is financial knowledge. However, no universally accepted framework exists for its accurate measurement. Existing tools often do not adequately reflect the

multifaceted nature of financial literacy, which encompasses comprehension of fundamental financial concepts, familiarity with financial products, and capability to utilize this knowledge in practical situations. The lack of measurement consistency results in study findings that do not align with one another, and it hampers the creation of interventions aimed at enhancing financial literacy. At the same time, a lot of people do not have enough awareness of investment options that are compatible with their financial objectives and risk tolerance. This lack of awareness often leads to less-than-ideal investment decisions, like an excessive dependence on low-yield savings accounts or exposure to high-risk products without comprehending the risks involved. Adding to these problems is the widespread existence of deceptive ads in finance, which inflate the advantages of financial products and minimize risks, costs, and possible losses. Such practices undermine trust in financial institutions, while also worsening financial illiteracy through the spread of inaccurate or incomplete information. Even with regulatory attempts, misleading ads continue to exist, especially on digital and social media platforms where oversight is minimal.

These issues interact with one another, resulting in a cycle of financial vulnerability. Individuals with low financial knowledge levels are less aware of their investment preferences, which increases their vulnerability to deceptive ads. As a consequence, misleading advertisements contribute to the persistence of financial illiteracy through the dissemination of false information. To tackle these issues, a comprehensive strategy is needed—one that considers the total effect these problems have on financial decision-making. The objective of this research is to create a solid framework for gauging financial knowledge, to assess how aware individuals are of investment options, and to evaluate the incidence and effects of misleading financial advertising. The study aims to empower individuals with the necessary knowledge and awareness for making informed financial decisions, while also suggesting policy recommendations to improve consumer protection and encourage ethical marketing practices in the financial sector.

#### **4. Scope of the Study**

The present study was limited to Chennai city of Tamil Nadu and youth behaviour towards social media factors on their investment decisions. The present study was limited to 189 youth investors and their perception towards financial planning and literacy. The study primarily focuses on investment decision determinants of the respondents and whereas, the other external factors was not explored in the present study. The study sample size was limited due to time and cost constraint.

#### **5. Objectives of the Study**

This study aims to measure and evaluate the level of financial knowledge among different demographic groups. Furthermore, study investigate to assess the extent of awareness and understanding of investment preferences and their alignment with financial goals. To analyze the prevalence and impact of misleading advertisements in the financial sector. Finally, to propose evidence-based recommendations for improving financial literacy, enhancing awareness of investment options, and mitigating the effects of misleading advertisements.

#### **6. Research Methodology**

This research is of an empirical and descriptive kind. The non-probability judgment sampling technique was utilized, with a survey method employed to distribute the questionnaire to respondents. The pilot study aimed at investigating reliability and consistency, with results showing that the Cronbach Alpha values exceed 0.777. The collected primary data are analyzed and interpreted using SPSS version 27.0.



## 7. Results and Discussion

The demographic profile of the respondents participated in the survey are measured using simple percentage analysis and descriptive statistics. The majority of the respondents are Male (52.5%) and aged between 18 years to 25 years with the average age of 25.52 years (S.D = 2.377). The majority of the respondents are from nuclear families (84.0%) and earning the monthly family income of between Rs.25,000 - 50,000 (53.0%).

The multiple regression analysis has been applied to explore the influence social media usage intention on investment decisions of the youth in the study area. The results are presented and tabulated in Table 1.

Table 1

Role of Social Media Usage Intention and Its Reshaping of Investment Decisions Among the Youth in Chennai City.

Variables	No. of Items	Mean (SD)	Reliability Statistics	R	R Square	Adjusted R Square	Std. Error of the Estimate	ANOVA		Durbin-Watson	Standardized Coefficients		t (Sig.)	Collinearity Statistics
			Cronbach's Alpha					F Value (df)	Sig.		Beta	Std. Error		Tolerance (VIF)
Dependent Variable														
Investment Decision Behaviour	4	4.301 (0.369)	0.691	0.737	0.543	0.536	0.251	76.886 (3, 194)	0.000	1.951				
Independent Variables														
(Constant)											0.202		6.321 (0.000)**	
Social Influence (Peer/Influencer)	5	4.149 (0.493)	0.528								0.302	0.047	4.840 (0.000)**	0.604 (1.656)
Perceived Ease of Use (Investment Navigation)	5	4.067 (0.476)	0.522								0.369	0.048	6.543 (0.000)**	0.741 (1.349)
Perceived Usefulness of Social Media	5	4.249 (0.430)	0.615								0.236	0.047	3.922 (0.000)**	0.650 (1.539)

\* Source: Primary Data

The table 1 indicates that OLS regression analysis evaluated the influence of social influence (SI), perceived ease of use (PEU), and perceived usefulness (PU) of social media on investment decision behavior among youth in Chennai. The model demonstrated strong explanatory power, with an  $R^2$  value of 0.543, indicating that 54.3% of the variance in investment decisions is accounted for by these predictors. The adjusted  $R^2$  (0.536) further confirms the model's robustness, minimizing overfitting concerns despite multiple predictors (Hair et al., 2019). The ANOVA results ( $F = 76.886$ ,  $p < 0.001$ ) underscore the statistical significance of the model, affirming that at least one predictor meaningfully impacts investment behavior (Field, 2018). Perceived ease of use (PEU) emerged as the strongest predictor ( $\beta = 0.369$ ,  $p < 0.001$ ), suggesting that user-friendly social media interfaces, such as intuitive navigation and simplified content formats like short videos significantly drive investment decisions.

This aligns with the Technology Acceptance Model (TAM) (Davis, 1989), which posits that ease of use enhances technology adoption. Social influence (SI) ( $\beta = 0.302$ ,  $p < 0.001$ ) highlights the role of peers and influencers in shaping financial choices, consistent with the Theory of Planned Behavior (TPB) (Ajzen, 1991), where social norms shape behavioral intentions. Perceived usefulness (PU) ( $\beta = 0.236$ ,  $p < 0.001$ ) reflects the practical value of social media in saving time and uncovering investment opportunities, reinforcing TAM's emphasis on utility (Venkatesh & Davis, 2000). Statistical diagnostics validated the model's assumptions. Collinearity statistics (Tolerance  $> 0.6$ , VIF  $< 2$ ) confirmed predictor independence, mitigating multicollinearity concerns (Field, 2018). The Durbin-Watson statistic (1.951), close to the ideal value of 2, indicated no autocorrelation in residuals, further supporting regression validity.

However, the unexplained variance (46.7%) suggests additional factors, such as financial literacy, risk perception, or cultural context, may influence decisions (Chen et al., 2021). For instance, prior studies note that younger investors often prioritize social media trends over traditional financial advice, amplifying the role of SI (Chen et al., 2021). While the model is robust, limitations exist. The absence of reliability metrics (e.g., Cronbach's Alpha) in the latest results precludes an assessment of measurement consistency. Earlier analyses revealed suboptimal

reliability for SI ( $\alpha = 0.528$ ) and PEU ( $\alpha = 0.522$ ), suggesting potential ambiguities in survey items or respondent misinterpretation (Hair et al., 2019). Future studies should refine scales to enhance internal consistency and explore omitted variables like financial literacy.

## **8. Limitations and Scope for future Study**

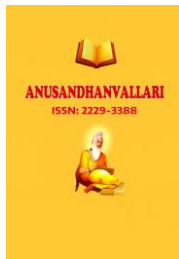
Because of limitations related to cost and time, this study was restricted to a sample size of 189. An online survey method was used as the main approach for collecting primary data in this study. Thus, the constraints linked to online surveys will also apply to this empirical research. The primary survey included only social media users from Chennai city in Tamil Nadu, as the findings cannot be generalized to the entire state or country. Respondents have been selected using non-probability judgment sampling. A limitation linked to non-probability sampling also applies to the current study. Moreover, the current research can be expanded to other cities, states, and countries to comprehend the impact of social media usage on investment intentions. A comparative study can be carried out across various genders, age groups, and income categories to investigate demographic variations in social media use regarding investment intention.

## **9. Managerial Implications and Conclusion**

The financial platforms and educators should prioritize user-friendly designs (PEU) and leverage social influencers (SI) to engage youth investors. The findings align with foundational theories (TAM, TPB) and contemporary research on digital finance, underscoring social media's transformative role in reshaping investment behavior. Future research could integrate behavioral economics frameworks to address unexplained variance and refine predictive models, ensuring alignment with the evolving digital landscape. Government agencies and financial institutions should conduct awareness programs to educate youth about investment risks and opportunities. Educational institutions can introduce financial literacy courses to help students make informed investment decisions and can improve the content of the curriculum related to management of finance. The Government authorities should monitor and regulate misleading financial advice on social media platforms. To conclude the study, there is a risk of misinformation and speculative investment behavior. The findings emphasize the importance of financial literacy, regulatory oversight, and responsible content creation in ensuring that social media serves as a positive tool for financial decision-making in the present and future.

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