



# Analyzing the Impact of Social Media Sentiment on Investors Decision-Making

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**Abstract:** This study aims to examine the influence of social media sentiment on investor decision-making, assess the credibility and reliability of investment information shared on social media platforms, and identify potential areas of improvement for ensuring the quality and reliability of financial information. The research methodology includes a questionnaire survey targeting investors to gather data on their social media usage, decision-making process, reliance on social media sentiment, perception of credibility, and suggestions for improvement. The study outcomes will contribute to a better understanding of the role of social media in investment decision-making and highlight areas where social media platforms can enhance the reliability of financial information.

**Keywords:** Social media, Investor decision, and Sentiment Analysis.

## **Introduction:**

Social media platforms have become powerful sources of information and communication, greatly influencing various aspects of our lives. One area greatly impacted by social media is investment decision-making. Investors can now access various financial information and sentiments shared on platforms like Instagram, Twitter, and Facebook. This study aims to analyze the impact of social media sentiment on investor decisions, studying the reliance on social media for investment research, confidence in sentiment, and practices to verify credibility. The findings will contribute to understanding the role of social media in financial markets and provide recommendations for a more informed investment environment.

## **Review of Literature**

**Mistri Ekta & Japee Gurudutta (2020)**, Study "Analyzing the Role of social media in Investment Decision with special reference to South Gujarat". This study aims to analyze the role of social media in investment decisions, i.e. the changes in investment patterns after social media activity has increased to a high level. more. The study focuses on the southern region of Gujarat, consisting of five districts: Surat, Bharuch, Navsari, Vapi,

and Valsad. This study will be useful for investors who want to stay informed about social media for investment purposes. This study will also help increase awareness among financial advisors to engage consumers.

**Rosa Lemel (2022)**, study "Analysing the Effect of Social Media Sentiment on Stock Prices". As consumers increasingly use social media to learn about companies and their products, social media will become increasingly popular. This research is exploratory and aims to find out if social media opinions influence the share prices of large multinational companies. The value of this exploratory study lies in the weaknesses identified from this study. This is a useful example for future research on social media and its impact on companies.

### Statement of Problem

The problem addressed in this study is the lack of comprehensive research on the influence of social media sentiment on investor decision-making and the credibility of investment information shared on social media platforms. It is crucial to investigate these aspects to evaluate the reliability of investment-related information available on social media and identify potential areas for improvement.

### Objective of the study

1. To determine how much social media sentiment influences investor decision-making.
2. To assess the credibility and reliability of investment information shared on social media platforms.
3. To identify potential areas of improvement for social media platforms in ensuring the quality and reliability of financial information shared by users.

### Hypothesis of the study

1. **H0:** Social media sentiment does not significantly influence investor decision-making.  
**H1:** Social media sentiment significantly influences investor decision-making.
2. **H0:** Investment information shared on social media platforms is not perceived as credible and reliable by investors.  
**H1:** Investment information shared on social media platforms is perceived as credible and reliable by investors.
3. **H0:** There are no specific areas that need improvement in social media platforms to ensure the quality and reliability of financial information shared by users.  
**H1:** There are specific areas that need improvement in social media platforms to ensure the quality and reliability of financial information shared by users.

### Research Methodology

The research methodology for this study entails conducting a questionnaire survey among investors. The questionnaire is designed to gather data on participants' social media usage for investment-related research, the impact of social media sentiment on decision-making, their perception of the credibility and reliability of investment information on social media platforms, and suggestions for improvement. A diverse sample of

investors, consisting of 100 participants, will receive the survey. The collected data will then undergo analysis using statistical tools and techniques to derive meaningful conclusions.

### **Significance of the Study**

This study is significant as it provides insight into the influence of social media sentiment on investor decision-making. Understanding the impact of social media on investment decisions can help investors make more informed choices and potentially improve their investment outcomes. This study can provide insights to social media platforms, enabling them to create better mechanisms to filter and verify investment information, ultimately enhancing the trust and reliability of financial content shared on their platforms.

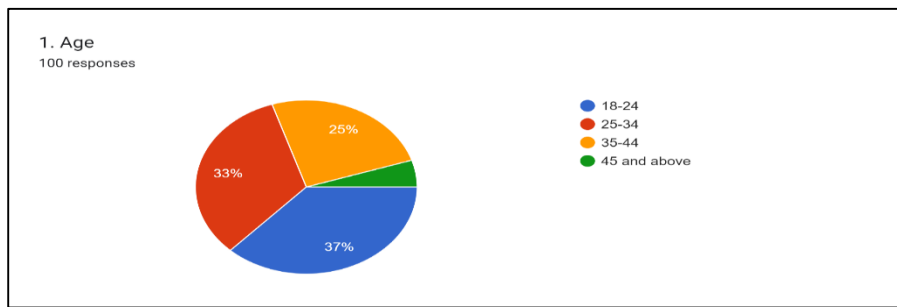
### **Limitations of the study**

1. The study may also be limited in capturing the dynamic nature of social media sentiment as trends and conversations can change rapidly.
2. While the study aims to analyze the impact of social media sentiment on investor decision-making, it may not be able to fully account for other external factors that can influence investment choices, such as traditional financial news sources, personal financial advice, or individual risk tolerance.



## Data Analysis

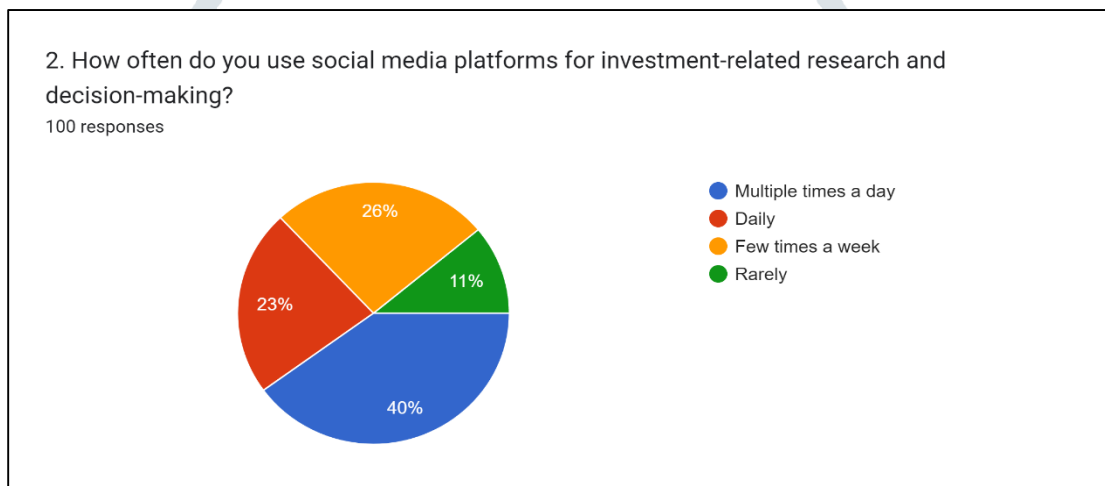
**Table 1 Demographic Profile**



For the data analysis data is collected from the different age groups of individuals.

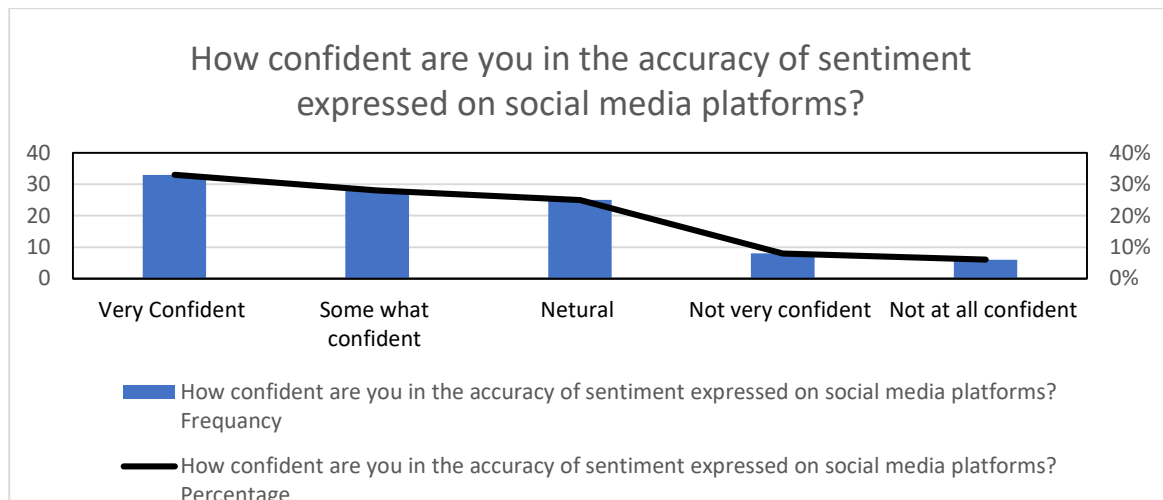
1. **H<sub>0</sub>**: Social media sentiment does not significantly influence investor decision-making.

**Table 2 Frequency of Social Media Utilization for Investment Research and Decision-Making.**



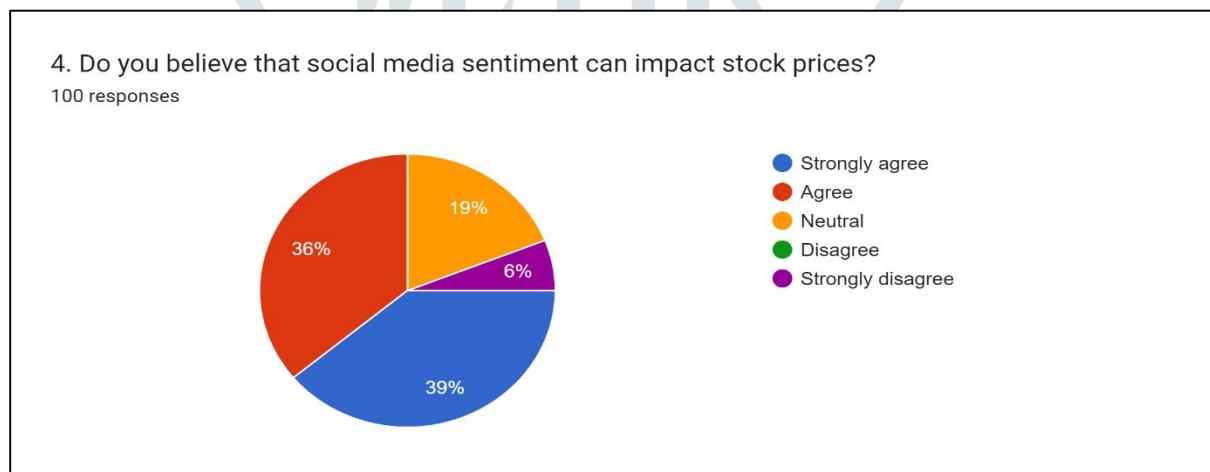
According to the preceding observation, 40% of the respondents use social media platforms for investment-related research and decision-making multiple times daily. 26% of respondents use social media platforms daily, 23% use them daily, and 11% use them rarely for investment-related and decision-making purposes.

**Table 3 Social Media Sentiment Confidence Level**

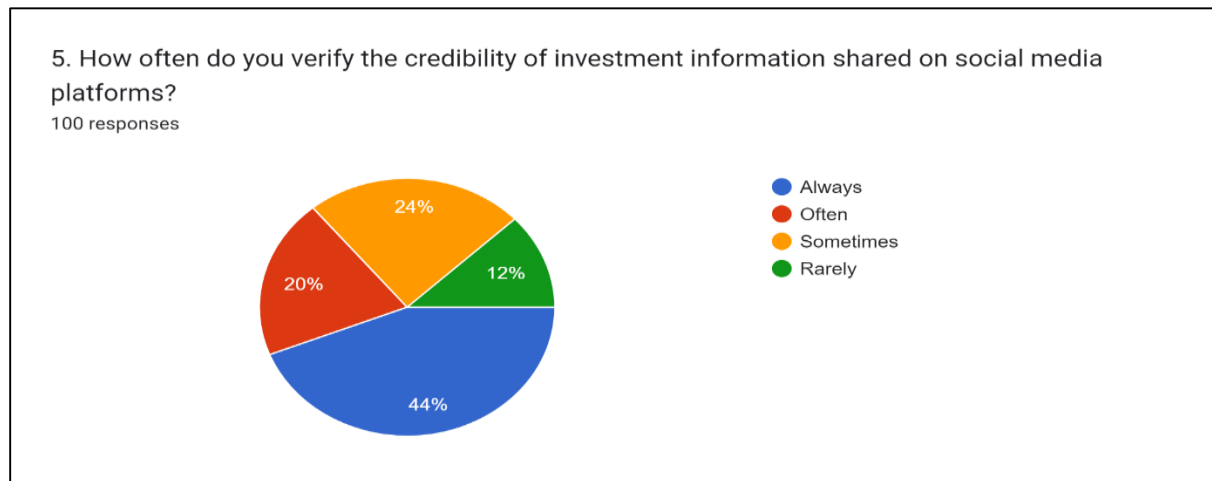


According to the preceding observation, 33% of the respondents are very confident about the sentiment expressed on social media, 28% are somewhat confident, 25% are neutral, and 8% are not very confident. Additionally, 6% of the respondents are not at all confident about the sentiment expressed on social media.

**Table 4 Perceived Influence of Social Media Sentiment on Stock Prices**



According to the preceding observation, 39% of the respondents strongly agree that they believe social media sentiment can impact stock prices, 36% agree, 19% are neutral, and 6% strongly disagree, stating they believe social media sentiment cannot impact stock prices.

**Table 5 Credibility Verification Frequency for Social Media Investment Info**

According to the preceding observation, 44% of the respondents always verify the credibility of investments shared on social media platforms, 20% of the respondents often, 24% of the respondents sometimes, and 12% of the respondents Rarely verify the credibility of investment information shared on social media platforms.

According to the research the above hypothesis is rejected.

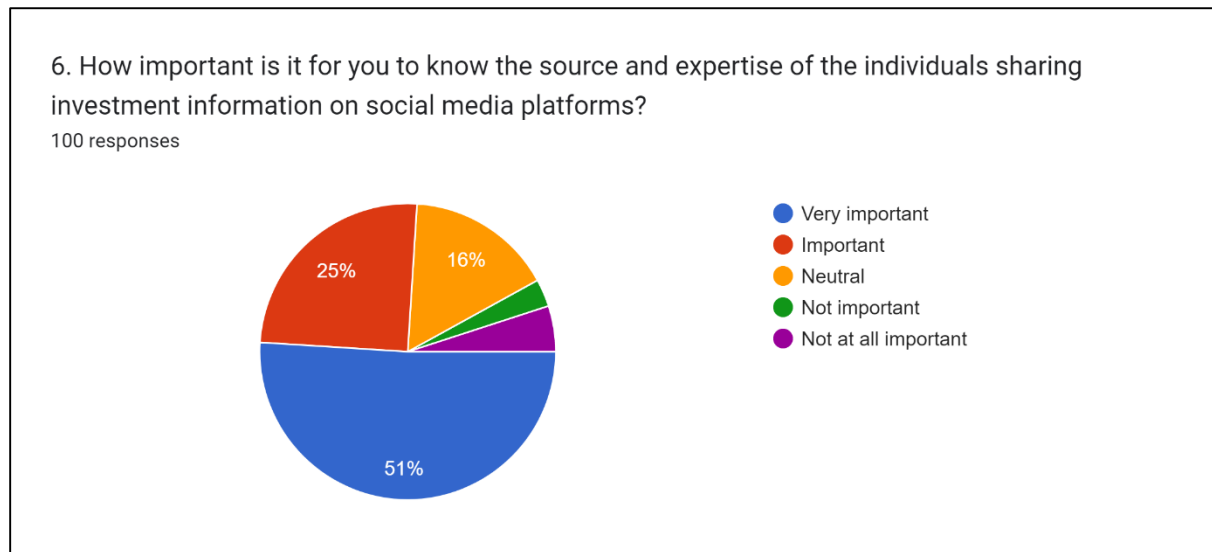
**H1:** Social media sentiment significantly influences investor decision-making.

The above hypothesis is accepted

**Interpretation:** Based on our observations, it appears that a significant portion of respondents use social media platforms for investment-related research and decision-making, with 40% doing so multiple times daily. Additionally, about one-third of respondents are confident in the sentiment expressed on social media, while a small percentage are not confident at all. Furthermore, a majority of respondents believe that social media sentiment can impact stock prices. Lastly, a sizable percentage of respondents consistently verify the credibility of investment information shared on social media platforms. Overall, these findings highlight the relevance and influence of social media in the realm of investment decisions.

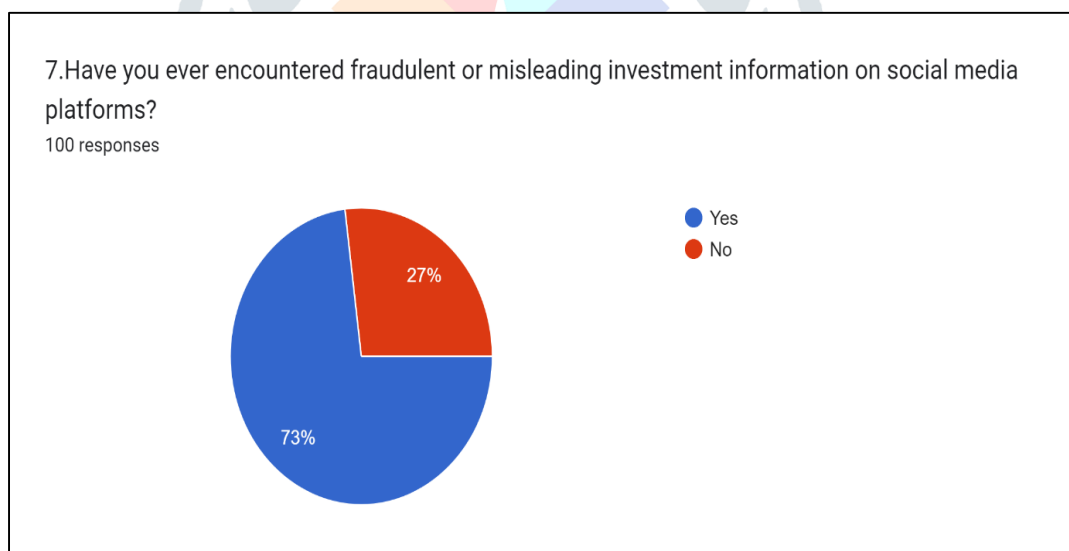
2. **H0:** Investment information shared on social media platforms is not perceived as credible and reliable by investors.

**Table 6 Significance of Source and Expertise in Social Media Investment Info**



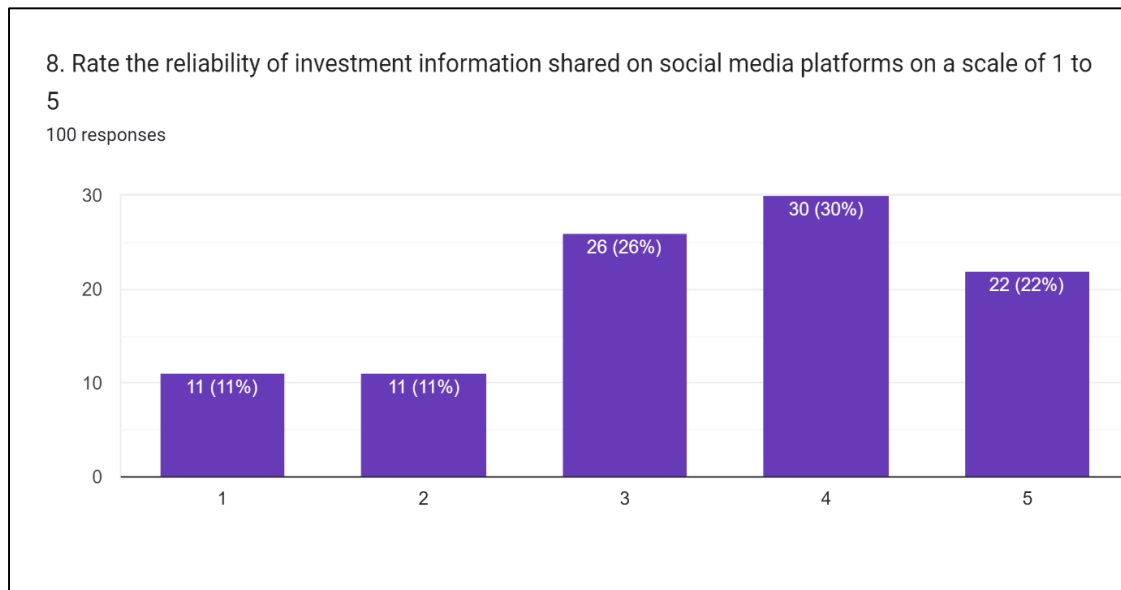
The majority of respondents (76%) place importance on knowing the source and expertise of individuals sharing investment information on social media platforms, with 51% considering it very important and 25% considering it important. This indicates that users recognize the significance of credibility and knowledge when it comes to investment advice received through social media.

**Table 7 Incidence of Fraudulent Investment Info on social media**



A significant number of respondents (73%) claim to have encountered fraudulent or misleading investment information on social media platforms, highlighting the prevalence of misinformation in this context.

Table 8 Social Media Investment Info Reliability Rating



When rating the reliability of investment information shared on social media platforms, a substantial portion of respondents (52%) expressed some level of doubt. While 22% consider the information extremely reliable 30% find it reliable, 11% consider it unreliable and 11% find it extremely unreliable. This indicates a mixed perception of the trustworthiness of investment information found on social media, emphasizing the importance of independent verification and critical analysis.

According to the research the above hypothesis is rejected.

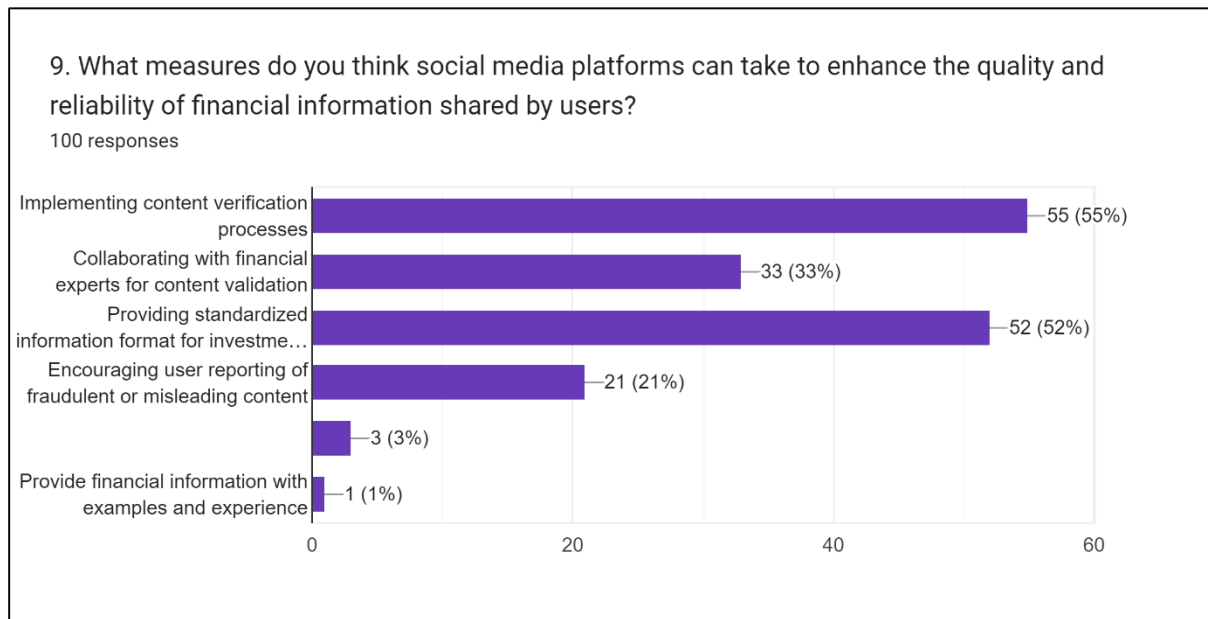
**H1:** Investment information shared on social media platforms is perceived as credible and reliable by investors.

The above Hypothesis is accepted

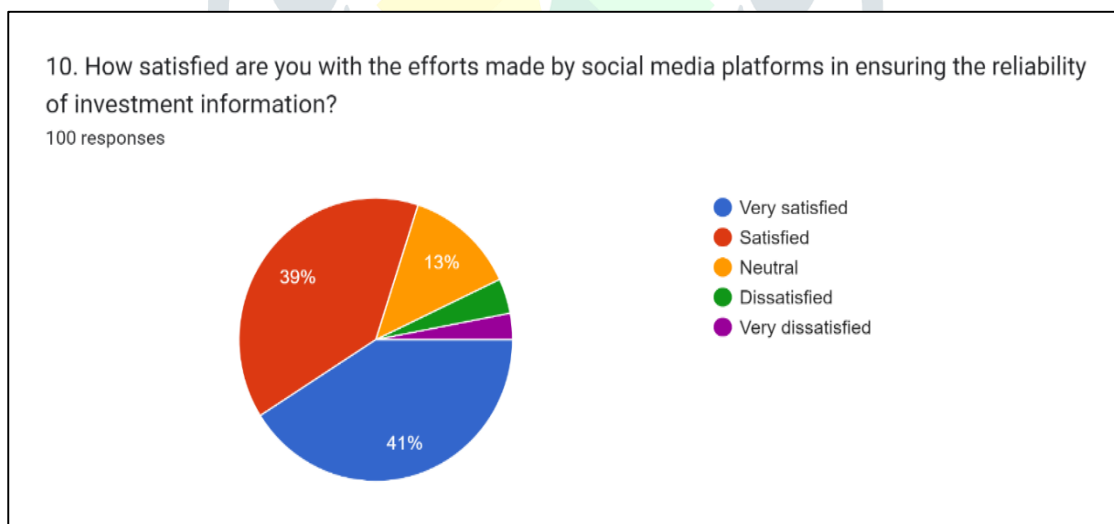
**Interpretation:** while there is a recognition of the importance of source credibility and expertise in investment information shared on social media platforms, there is also a prevalent issue of encountering fraudulent or misleading information. This highlights the need for users to exercise caution and skepticism when consuming investment advice on social media. The mixed perception of reliability further emphasizes the importance of independently verifying information and critically analyzing it before making investment decisions.

- H0:** There are no specific areas that need improvement in social media platforms to ensure the quality and reliability of financial information shared by users.

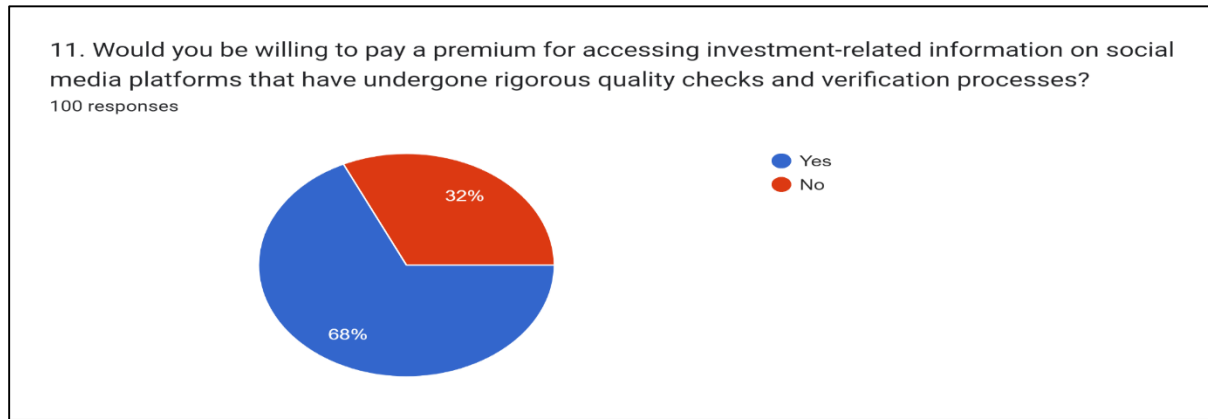


**Table 9 Enhancing Quality and Reliability: social media Financial Info**

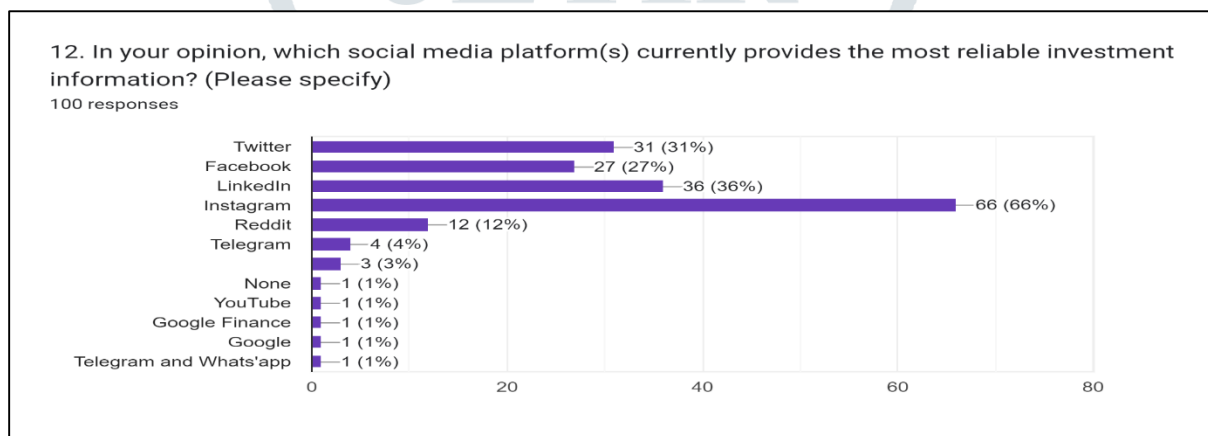
The majority of respondents believe that social media platforms can enhance the quality and reliability of financial information shared by users by implementing content verification processes (55%). This could involve fact-checking and verifying information before it is posted or shared on the platform. Additionally, providing standardized information formats for investment-related posts (52%) can help ensure consistency and accuracy. Collaborating with financial experts for content validation (33%) is also seen as beneficial, as their expertise can help verify the accuracy of information shared on the platform. Encouraging user reporting of fraudulent or misleading content (21%) is another measure that can help identify and remove unreliable information.

**Table 10 User Satisfaction with Social Media Investment Info Reliability Efforts**

Overall, the respondents' satisfaction with the efforts made by social media platforms to ensure the reliability of investment information is relatively high. 41% of respondents were very satisfied, indicating that they believe social media platforms are effectively ensuring the reliability of investment information. 39% of respondents were satisfied, suggesting that they have some level of confidence in the platforms' efforts. However, there is still a small percentage of dissatisfied respondents (4%) and very dissatisfied respondents (3%), indicating that improvements can be made in this area.

**Table 11 Premium Paying Willingness for Verified Investment Info on social media**

Most respondents (68%) are willing to pay a premium for accessing investment-related information on social media platforms that have undergone rigorous quality checks and verification processes. This suggests that users value reliability and quality in investment information and are willing to invest in platforms that provide these assurances. However, there are still 32% of respondents who are not willing to pay a premium, suggesting that cost may still be a factor for some users.

**Table 12 Most Reliable Social Media Platforms for Investment Info**

Among the social media platforms mentioned, Instagram received the highest percentage (66%) of respondents who believe it currently provides the most reliable investment information. Twitter (31%), Facebook (27%), and LinkedIn (27%) also received substantial mentions as reliable platforms. Other platforms mentioned include Reddit (12%), as well as YouTube, Google, Telegram, and WhatsApp. This suggests that different platforms have varying degrees of perceived reliability when it comes to investment information, and it may depend on the user's preference and experience.

According to the Research above hypothesis is rejected.

**H1:** There are specific areas that need improvement in social media platforms to ensure the quality and reliability of financial information shared by users.

The above hypothesis is accepted

**Interpretation:** Social media platforms can enhance the quality and reliability of financial information shared by users by implementing content verification processes, collaborating with financial experts for content validation, providing standardized information formats for investment-related posts, and encouraging user reporting of fraudulent or misleading content. Overall, respondents expressed relatively high satisfaction with the efforts made by social media platforms to ensure the reliability of investment information. The majority of respondents are willing to pay a premium for accessing investment-related information on platforms that have undergone rigorous quality checks and verification processes. Instagram was perceived as the social media platform providing the most reliable investment information, followed by Twitter, Facebook, and LinkedIn. However, other platforms like Reddit, YouTube, Google, Telegram, and WhatsApp were also mentioned for their reliability in investment information.

### Conclusion

Based on our research findings, it is evident that social media platforms have a notable impact on investment decision-making. Many investors rely on these platforms for conducting research and sentiment analysis before making investment choices. However, there is a mix of trust and caution regarding the reliability of information shared on social media. This highlights the need for efforts to enhance the credibility of investment-related content on these platforms. Our study also identified Instagram as the most reliable platform for investment information, followed by Twitter, Facebook, and LinkedIn, while other platforms like Reddit, YouTube, Google, Telegram, and WhatsApp also hold credibility.

Moving forward, it is imperative for social media platforms to prioritize measures aimed at improving the reliability of investment information. Implementing content verification processes and collaborating with financial experts are crucial steps in this regard. Standardized information formats can facilitate consistency and clarity for users. Additionally, encouraging users to report fraudulent or misleading content will help maintain a trustworthy investment environment on social media platforms.

From a researcher's perspective, further analysis should be conducted to evaluate the impact of social media sentiment on actual investment outcomes and financial market trends. Longitudinal studies can help track changes in investor behaviour and the evolving role of social media in investment decision-making. Furthermore, platforms can explore the potential of offering premium services that undergo rigorous quality checks and verification processes, catering to users who prioritize reliable investment information and are willing to pay for it.

Overall, understanding the influence of social media on investment decisions and taking steps to enhance its credibility will contribute to a more informed and reliable investment environment for investors.

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