

The Influence of Social Media on Investment Decision-Making of Retail Investors in India

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Abstract

The expansion of social media has profoundly altered the way retail investors obtain financial information and make investment decisions, particularly in emerging economies such as India. Digital platforms including YouTube, Twitter (X), Telegram, and Reddit now function as informal financial information channels where market opinions, stock tips, and trading strategies are widely exchanged. This study investigates the extent to which social media impacts the decision-making behavior of Indian retail investors. A descriptive and analytical research approach was adopted, using primary data collected through a structured questionnaire and secondary data sourced from scholarly literature and regulatory publications. The findings reveal that social media significantly shapes investor sentiment, influences buying behavior, and promotes herd mentality, while simultaneously raising concerns about misinformation and speculative trading. The study offers valuable insights for investors, regulators, and researchers by highlighting the need for responsible digital engagement and enhanced financial literacy.

Keywords: Social Media, Retail Investors, Investment Behaviour, Behavioral Finance, Investor Sentiment, India

1. Introduction

Technological advancements and digital connectivity have transformed the structure and functioning of financial markets. In India, increased smartphone penetration and affordable internet access have enabled retail investors to actively participate in investment activities. Social media platforms, originally designed for communication and networking, have evolved into influential tools for sharing financial information and shaping market perceptions.

Retail investors increasingly rely on social media for real-time updates, investment ideas, and peer opinions. While this has lowered information barriers and enhanced financial inclusion, it has also intensified behavioral biases such as overconfidence, fear of missing out, and herd behavior. As online financial content continues to influence investor actions, it becomes essential to examine how social media affects investment decision-making in the Indian context. This study aims to analyze the nature and extent of this influence.

2. Review of Literature

Existing literature suggests that social media plays a critical role in shaping investor behavior and short-term market movements. Prior studies indicate that online discussions and influencer-driven content significantly impact retail investors' sentiment and trading decisions. Research grounded in behavioral finance highlights that emotional responses and cognitive biases are amplified through digital platforms. Although global studies

on social media and investing are extensive, empirical evidence focusing on Indian retail investors remains limited, indicating a significant research gap addressed by the present study.

3. Research Methodology

3.1 Research Design

The study employs a descriptive and analytical research design to examine investor behavior patterns and the relationship between social media usage and investment decisions.

3.2 Objectives of the Study

- To analyze the influence of social media platforms on retail investors' investment decisions in India
- To examine the role of social media in shaping buying behavior
- To study the association between online discussions and trading activity
- To assess investor perceptions regarding the reliability of financial information shared on social media

3.3 Data Collection

Primary data were collected through a structured questionnaire comprising closed-ended and Likert-scale questions. Secondary data were obtained from academic journals, financial reports, regulatory publications, and credible online sources.

3.4 Sampling Method

Non-probability sampling was adopted to select retail investors who actively engage with social media and investment-related content.

4. Analysis and Discussion

The results indicate that a large proportion of respondents depend on social media platforms—particularly YouTube and Telegram—for investment-related information. Social media discussions were found to significantly influence buying decisions, especially during periods of market volatility. However, concerns regarding the credibility and authenticity of online financial information were also evident. The findings align with behavioral finance theories, emphasizing the prevalence of herd behavior and sentiment-driven trading among retail investors.

5. Findings

- Social media exerts a strong influence on retail investors' decision-making

- Online trends and influencer opinions often guide investment choices
 - Many investors act on market sentiment rather than fundamental analysis
 - Issues related to misinformation and lack of regulation persist
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6. Conclusion

The study concludes that social media has become a powerful determinant of retail investment behavior in India. While it enhances market awareness and participation, it also increases exposure to emotional and speculative decision-making. Strengthening financial literacy, promoting responsible content creation, and implementing appropriate regulatory measures are essential to ensure informed investment behavior. The study contributes to behavioral finance literature and offers insights relevant to investors, regulators, and academicians.

7. Limitations and Future Research

The study relies on self-reported responses, which may involve subjective bias. Additionally, the fast-evolving nature of social media limits the long-term applicability of the findings. Future research may adopt longitudinal approaches, larger samples, or advanced analytical tools to further explore digital investment behavior.

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