

## The Role of Social Media in Influencing Investment Decisions

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<p><b>Type:</b> Article <b>Received:</b> 26 March 2026 <b>Revised:</b> 23 April 2026 <b>Accepted:</b> 09 May 2026 <b>Published:</b> 01 June 2026</p>	<p>Now-a-days social media played a major role in shaping financial behaviour and investment decisions. This research shows how social media platforms influence individual investors in India, especially young adults aged 18–25 years. The research explores whether these platforms enhance financial literacy or lead to misinformation and impulsive investment decisions.</p> <p>This research used both types of data. Data (primary) was collected from 110 respondents through a structured questionnaire, while secondary data was gathered from journals, articles, and reports. The analysis highlights the impact of platforms such as YouTube, Instagram, Telegram, and X (Twitter) on investor awareness, confidence, and decision-making patterns.</p> <p>As a result the social media improves financial knowledge and encourages investment participation. However, it also exposes investors to unverified information, emotional decision-making, and herd behaviour. To conclude, social media acts as both an opportunity and a risk, emphasizing the need for responsible usage, financial education, and regulatory oversight.</p> <p><b>Keywords:</b> Social Media; Investment Decisions; Financial Literacy; Investor Behavior; Digital Finance.</p>

### How to Cite This Article

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## Introduction

Now a days, social media is becoming a powerful tool influencing how individuals access information and make investment decisions. Unlike traditional sources such as newspapers, banks, and financial advisors, platforms like YouTube, Instagram, Telegram, and Twitter (X) provide instant and easily accessible financial content. This has increased participation in financial markets by reducing the gap between experts and common investors.

Social media enables quick access to market updates, investment ideas, and financial education, making it easier for individuals, especially young investors, to learn and invest. However, it also encourages herd behaviour, where individuals follow trends or popular opinions without proper analysis. The growing influence of financial influencers further simplifies complex concepts but may also lead to biased or misleading advice. Psychological aspects like FOMO, overconfidence, and social media is playing significant role in making investment decisions on these platforms. While social media promotes financial inclusion and awareness, it also increases risks related to misinformation, scams, and emotional decision-making.

Overall, social media plays a double-edged sword—enhancing financial knowledge and participation while also creating challenges related to reliability and investor protection. The research focuses on overall impact on investment behavior and decision-making.

### *Historical Background*

Investment decision-making has evolved over time:

- Traditional Era: Dependence on brokers and newspapers
- Mass Media Era: Radio and television increased awareness
- Internet Era: Online platforms improved accessibility
- Social Media Era: Influencers and communities shape decisions

Today, digital platforms have made investors more active instead of just sitting back.

### *Problem Statement*

Social media provides easy way to find out financial information, the lack of regulation raises concerns about misinformation and biased advice.

The key issue is to determine whether social media supports informed investment decisions or encourages risky and impulsive behavior.

### *Objective of the study*

1. To Explore how financial influencers, YouTube channels, and online communities like Reddit, YouTube, telegram WhatsApp community influence the way investors make decisions about money.
2. To study its really helping new investors learn about finance or if it is spreading more confusion and misinformation.
3. To look into the possible dangers of unregulated financial advice on social media and how this can affect investment results.

### *Hypothesis Development*

H1: Social media measurely influences the investment decisions of individual investors by shaping their perceptions, providing financial knowledge, and encouraging action based on online content.

H2: The impact of social media on investment decisions is twofold, a positive impact by spreading awareness and financial knowledge, while also creating risks through misinformation, bias, and impulsive behavior.

Null Hypothesis (H0): Social media does't have measuredly impact on the investment decisions of individual investors, and Its influence is neither notably positive in aspects of knowledge sharing nor negative in aspects of misinformation or bias.

### *Scope and Limitations*

Scope of the research

This research on social media looks how the people make investment decisions in today's digital world. It focuses on most used apps like Twitter (X), Instagram, LinkedIn, youtube, Telegram, and WhatsApp, where financial discussions and advice are becoming part of everyday life. The scope includes both the positive side—easy access to financial

knowledge, cost-effective learning, and encouragement for young investors to enter markets—as well as the negative side, such as misinformation, herd mentality, and overdependence on influencers. By exploring these aspects, the study hopes to provide useful insights for investors, regulators, financial institutions, and educators in better understanding the changing investment environment.

### Limitations of the Research

1. **Sample Size:** The study was limited to 110 participants, mostly young and urban, so the results may not represent older or rural investors.
2. **Bias in Responses –** Surveys and interviews may not always reflect the truth, as participants might exaggerate their successes or hide failures.
3. **Changing Digital World –** Social media platforms, trends, and rules change quickly, so the findings may not stay valid for a long time.
4. **Ethical Concerns –** The study must protect participant anonymity, take proper consent before using any content, and clarify that the study is academic, not financial advice.

### Literature Review

Social media is an significant used for financial information, especially for young investors in India. Platforms like YouTube, Instagram, Telegram, and Twitter (X) are now widely used to learn about investments, share opinions, and follow market trends. This has increased participation in financial markets but also saw the cases like misinformation and risky decision-making.

Subramanian and Prerana (2021) [1] Identify that social media mostly useful for young investors to understand financial concepts and encourages them to invest. However, they also analyse that unverified content can lead to impulsive decisions and herd behaviour.

Similarly, Gaikwad et al. (2023) [2] highlighted those social media influences investors through information sharing, global connectivity, and peer feedback. While it reduces the information gap, too much reliance on online opinions makes it difficult to identify reliable advice.

Rachakonda et al. (2025) [3] focused on emotional influence and found that investors often follow popular trends without proper analysis. Social media discussions can affect confidence, risk perception, and trust in companies.

According to Sharma and Gupta (2024) [4], social media plays a positive role in improving financial awareness among young women, increasing their participation in investments. However, people who don't have a strong understanding of financial concepts are more likely to be misled or taken advantage of.

Sathya and Prabhavathi (2024) [5] Research suggests that social media can amplify behavioural biases, including overconfidence and the FOMO. Investors may depend more on trends rather than proper analysis, which can lead to poor decisions.

Overall, above literature explains that social media has a dual impact. It improves financial knowledge, accessibility, and participation, but also increases risks like misinformation, emotional investing, and herd behaviour.

### Research Gaps

Most, studies treat social media as one, even though different platforms function differently. For example, YouTube provides detailed educational content, while platforms like Telegram and Twitter (X) focus on quick updates and reactions. Factors such as financial literacy, trust in online information, and cultural diversity in India also influence how investors interpret and use social media content.

Several gaps remain in current research. Many studies rely mainly on survey data rather than actual trading data, making it difficult to measure the real impact on investment performance. There is limited comparison between different platforms, and very few studies examine long-term outcomes for investors who depends morely on the social media.

Overall, social media improves financial awareness and participation, it also increases the risk of misinformation and emotional decision-making. Future study should compare different platforms, analyzing real investment outcomes, and explore hoe better financial literacy can help people make more rational choices.

### Research Methodology

#### Research Design

This Research uses a descriptive and exploratory research design to understand the impact of social media on investment decisions. The descriptive approach helps in summarizing the behavior and patterns of investors, while the exploratory aspect identifies relations among both social media usage, financial decision-making.

#### Population and Sampling

The population for the research is Gen Z & Millennial investors who measurely engage on social media platforms for financial information. From the population sample of 110 responses was selected using convenience sampling, as it allowed easy access to participants and efficient data collection, although it may limit the generalization of results.

### Data Collection Method

The research studies primary as well as secondary data. A survey questionnaire distributed via Google Forms for collection of primary data, targeting individuals who engage with financial content on social media. Secondary data was gathered from journals, articles, and research papers related to investment behavior and digital finance. The questionnaire included questions on social media usage patterns, demographic details and perceptions of financial content, and investment behavior, using both close-ended and open-ended formats.

### Data Analysis Techniques

- Data was organized and coded using Excel
- Statistical tools such as rating, percentage were used for analysis.
- Graphs, charts, and tables uses for graphical representation.
- Cross-tabulation and Chi-square test were applied to study relationships between variables

### Data Analysis and Interpretation

The data analysis is based on 110 responses collected through a systematic scale and analysed using Excel with the help of percentages, frequencies, and charts. The outcomes analyze that most respondents (85%) are from 18–25 age group, indicating that youth prefer referring social media for financial decisions. The research also reflects higher participation from females (59.09%) and a majority of respondents being students and young professionals.

Most participants are either new investors or invest small amounts, showing that social media plays a important learning platform. Mutual funds and stocks are most safest investment options, on the other traditional investments like fixed deposits and gold are still considered. Among platforms, YouTube preferred as a source for financial content, followed by Instagram.

The findings further indicate that respondents are mostly exposed to financial content occasionally, while a smaller group frequently engages with it and more frequently influenced. Many users follow financial influencers casually, suggesting moderate dependence on social media for decision-making.

Overall, the outcomes highlights that social media significantly improves financial awareness and participation but also increases risks such as misinformation, emotional decisions, and herd behaviour.

### Hypothesis Testing

The study tested how social media usage impacted on investment decision-making using statistical analysis, including cross-tabulation and the Chi-square test.

A cross-tabulation was prepared between frequency of exposure to financial information on social media & influence on investment decisions. Based on this, expected values were calculated using the standard formula, and the Chi-square statistic was computed.

H1: Influence of Social Media on Investment Decisions

H0: There is no significant relationship between following financial influencers and investment decisions.

The Chi-square test was applied to study the relationship between following financial influencers and investment decisions.

### Q. following any financial influencers and changed the Investments Decision

Table 1. Observed Frequency Distribution: Following Financial Influencers and Change in Investment Decisions

Following Financial Influencers	No, but I considered it	No, never	Yes, a few times	Yes, many times	Grand Total
No, I didn't follow anyone specific	17	10	4	1	32
No, I don't follow anyone specific	0	1	0	0	1
Yes, but casually	22	7	23	6	58
Yes, regularly follow	4	1	7	7	19
<b>Grand Total</b>	<b>43</b>	<b>19</b>	<b>34</b>	<b>14</b>	<b>110</b>

Table 2. Expected Frequency Distribution for Social Media Influence and Investment Decisions

Following Financial Influencers	No, but I considered it	No, never	Yes, a few times	Yes, many times
No, I didn't follow anyone specific	12.5091	5.5273	9.8909	4.0727
No, I don't follow anyone specific	0.3909	0.1727	0.3091	0.1273
Yes, but casually	22.6727	10.0182	17.9273	7.3818
Yes, regularly follow	7.4273	3.2818	5.8727	2.4182

**Expected value: Formula:** row total \*column total/grand total

(observe -expected)^2/Expected

Table 3. Chi-Square Computation Table for Social Media Influence and Investment Decisions  $(O-E)^2/E$

Following Financial Influencers	No, but I considered it	No, never	Yes, a few times	Yes, many times
No, I didn't follow anyone specific	1.6123	3.6194	3.5086	2.3183
No, I don't follow anyone specific	0.3909	3.9622	0.3091	0.1273
Yes, but casually	0.0200	0.9093	1.4354	0.2587
Yes, regularly follow	1.5815	1.5865	0.2164	8.6813

Chi-Square Test Summary

Parameter	Value
Chi-Square Value ( $\chi^2$ )	30.5370
Degrees of Freedom	9
P-Value	0.000355316

If P value > 0.05, Then Accept the H0 (Null Hypothesis)

If P value < 0.05, Then Reject the H0 (Null Hypothesis)

Hypothesis H1 is Accepted (0.000355316 < 0.05)

Since the p-value is < 0.05, the null hypothesis (H0) is rejected and alternative hypothesis (H1) is accepted.

Interpretation: There is a significant relationship between social media influence and investment decisions. Investors who follow financial influencers are more likely to make or change their investment decisions based on social media content.

H2: Dual Impact of Social Media on Investors

H0 (Null Hypothesis): social media doesn't have a dual impact on investors and does not significantly affect them positively or negatively.

The Chi-square test was applied to examine whether social media has both positive and negative effects on investors.

**Q. social media really improved your financial knowledge and social media is more helpful or harmful for new investors**

Table 4. Observed Frequency Distribution: Financial Knowledge Improvement and Perceived Impact of Social Media

Financial Knowledge Improvement	Balanced – Both Helpful & Harmful	Mostly Harmful – Too Many Risks/Misinformation	Mostly Helpful – Easy Access to Knowledge	Grand Total
Made me more confused	1	2	1	4
No big change	4	5	1	10
Somewhat improved	39	7	4	50

Yes, it improved a lot	28	6	12	46
<b>Grand Total</b>	<b>72</b>	<b>20</b>	<b>18</b>	<b>110</b>

Table 5. Expected Frequency Distribution for Dual Impact of Social Media

Financial Knowledge Improvement	Balanced – Both Helpful & Harmful	Mostly Harmful – Too Many Risks/Misinformation	Mostly Helpful – Easy Access to Knowledge
Made me more confused	2.6182	0.7273	0.6545
No big change	6.5455	1.8182	1.6364
Somewhat improved	32.7273	9.0909	8.1818
Yes, it improved a lot	30.1091	8.3636	7.5273

**Expected value:** row total \*column total/grand total

Table 6. Chi-Square Computation Table for Dual Impact of Social Media  $(O-E)^2/E$ 

Financial Knowledge Improvement	Balanced – Both Helpful & Harmful	Mostly Harmful – Too Many Risks/Misinformation	Mostly Helpful – Easy Access to Knowledge
Made me more confused	1.0001	2.2273	0.1823
No big change	0.9899	5.5682	0.2475
Somewhat improved	1.2023	0.4809	2.1374
Yes, it improved a lot	0.1477	0.6680	2.6577

#### Chi-Square Test Summary

Parameter	Value
Chi-Square Value ( $\chi^2$ )	17.5093
Degrees of Freedom	6
P-Value	0.00758305

If P value > 0.05, Then Accept the H0 (Null Hypothesis)

If P value < 0.05, Then Reject the H0 (Null Hypothesis)

Hypothesis H2 is Accepted ( $0.00758305 < 0.05$ )

Since the p-value is less than 0.05, the null hypothesis (H0) is rejected and the alternative hypothesis (H2) is accepted.

Interpretation: There is a significant connection between social media usage and its dual impact on investors. Social media improves financial knowledge and participation, but also exposes investors to risks such as misinformation, emotional decisions, and impulsive investing.

#### Findings and Results

The research shows that social media has emerged as a key source of financial information, with online apps like Instagram and youtube is an most commonly used platforms. A considerable number of respondents follow financial influencers, suggesting that social media acts as an important role for shaping investment knowledge, particularly among younger individuals. The results also show that regular exposure to financial content helps improve understanding of financial concepts and supports better decision-making.

A large proportion of participants reported that they have taken or adjusted investment decisions based on information obtained from social media, highlighting its direct influence on investor behavior. At the same time, respondents pointed out challenges such as misleading

information and lack of content verification, making it difficult to identify trustworthy sources. Psychological elements such as FOMO, social influence, and trending discussions were also found to impact decisions, sometimes leading to impulsive actions.

Furthermore, many respondents emphasized the importance of regulating financial content and suggested verifying information through reliable sources before investing. Overall, social media is viewed as more beneficial than harmful; however, its use requires careful judgment. The findings support both hypotheses, confirming that social media has a significant and also dual impact on investment decisions.

### **Discussion**

The findings highlight that social media perform a dual role in shaping investment behavior. Firstly it acts as an effective learning platform by simplifying financial concepts and increasing accessibility, particularly for young and first-time investors. At the same time it introduces risks due to the spread of unverified information and the influence of emotional and psychological factors.

The large number of people who choose like Instagram and YouTube suggests that visual and interactive content is more effective in engaging investors. However, the influence of trends, peer opinions, and influencer credibility indicates that many investment decisions are not entirely based on rational analysis.

The growing demand for regulation shows that investors are becoming more aware of the risks of using social media. Overall, social media is transforming the investment environment by promoting financial literacy and participation, its effectiveness depends on responsible usage, critical evaluation of information, and proper regulatory support.

### **Suggestions and Recommendations**

From the findings, a few suggestions can be offered:

- For Investors: Investors should verify information from official sources like SEBI and RBI before making decisions. They should avoid herd behaviour, improve financial literacy, and rely on multiple sources instead of depending only on social media.
- For Financial Influencers: Content creators should maintain transparency, share accurate and fact-based information, and focus on responsible investing rather than promoting quick-profit ideas.
- For Regulatory Authorities: Authorities should introduce clear guidelines, monitor misleading content, and promote financial awareness programs to protect investors.
- For Financial Institutions and Educators: Institutions should use social media for learning purposes and include digital finance learning in academic programs.

Overall, social media has both good and bad effects on investment decisions. Its effective use depends on awareness, responsible content, and proper regulation. Future research can further explore platform-specific impacts and long-term investment outcomes.

### **Conclusion**

The research analysed the role of social media in influencing investment decisions, particularly among young investors in India. Collected data based on 110 respondents, this shows that social media has become an important tool in building financial awareness and influencing people's behavior. Platforms like Instagram and YouTube are commonly used for learning about investments, helping individuals understand financial concepts in a simple and accessible way. The findings clearly show that social media improves financial knowledge and encourages participation in investment activities. However, its impact is dual in nature. While it supports learning and confidence, it also exposes investors to risks such as misinformation, emotional decision-making, and over-reliance on influencers. Many respondents acknowledged acting on online advice without proper verification.

The research also brings attention to the fact that the need for regulation of financial content and responsible usage by investors. Overall, the study shows that social media has a strong and dual impact on investment decisions. Thus, H1 and H2 are accepted, and the null hypothesis (H0) is rejected. In conclusion, social media transformed investment behavior by making financial knowledge more accessible, but its effective use depends on awareness, critical evaluation, and proper regulation.

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