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The Role of Social Media in Shaping Investment Strategies

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ABSTRACT:

The abstract is the gateway to the entire research paper, and it gives a concise but strong overview of the focus of the study, methodology, findings, and implications. The abstract of this research presents the change in investment behavior brought about by the social media boom. This change is especially noticeable among youth, i.e., in a digitally aware and economically engaged group—young people in Mumbai. The city is known to be India's financial capital and provides a pertinent backdrop because it has a vibrant investment culture and digital penetration.

Social media sites such as Instagram, YouTube, Twitter, and LinkedIn are no longer just entertainment or networking sites. They are serious sources of investment information and have influenced the way users discover investments, assess opportunities, and even act. Social media sites provide visual content, real-time information, peer forums for discussion, and influencer-led advice that resonate with today's mobile-first investors.

The abstract summarizes the way the study integrates both quantitative (statistical testing and formal surveys) and qualitative (thematically interpreting user feedback) methods. The mixed-methods approach ensures that both statistical trends and deeper psychological or behavioral knowledge are obtained. The study does not only seek to quantify whether investment decisions are influenced by social media but also to determine how and why it happens. It further identifies major issues such as emotional manipulation (e.g., FOMO) and misinformation spread due to the unmonitored and unregulated nature of social media.

By highlighting these elements, the abstract also sets the tone for the wider significance of the research. It emphasizes the need for smart intervention—by educators, banks, and policymakers—so that the benefits of social media (e.g., accessibility, peer assistance, and market awareness) are maximized and risks (e.g., disinformation, impulsivity, and herding) minimized.

In summary, the abstract captures the two-sided character of social media in the investment space: a force for democratization towards financial inclusion and knowledge, but a double-edged sword that, if not regulated, can deceive or emotionally sway new investors. It lays the groundwork for the broader contribution of the study to financial literacy, policymaking, and content regulation in the age of digital finance.

Keywords: Social media, Investment strategies, Financial literacy, Finfluencers, Youth investors, Mumbai, Digital finance

Objectives:

The objectives are the bedrock of the study, determining its key goals. The first objective is to comprehend the role of social media in individual investment choices. With financial content being the dominant presence on the sites, investors are subjected to live market data, peer action, and influencer commentary. It can determine anything from stock picking to diversification of a portfolio. The second objective is to determine which platforms and content types—be it short videos, infographics, or livestreams—are most effective at determining behavior. Third, the study investigates the credibility and completeness of the financial data provided online. All sources are not equal, and misinformation leads to bad investment choices. The fourth objective concerns the psychological implications of social media, such as FOMO, that bring about impulsive behavior. Last, the research seeks to offer recommendations to stakeholders, such as educators and regulators, for facilitating responsible content creation and improving investor education.

Introduction :

The introduction provides context to comprehend the significance and relevance of the subject—how social media is transforming the landscape of investment strategies. Earlier, investment choices heavily depended on money advisors, news channels, and market reports. But the digital revolution turned the tables in a big way. Social media, hitherto considered a platform for social networks and entertainment purposes alone, has become an indispensable aid for information dissemination, peer learning, and emotional influence in investment choices.

In this new digital world, social media sites like Instagram, Twitter, YouTube, and LinkedIn are places not only for lifestyle fare but also for stock chatter, mutual funds, cryptocurrency, and personal finance. Social media enable individuals to receive bite-sized, visually oriented, and frequently emotionally charged content that condenses sophisticated financial matters. "Finfluencers" leverage these sites to share market insights, portfolio concepts, and investing advice, sometimes with millions of followers, especially among the youth.

The Mumbai focus is particularly apt. As India's financial capital, the city has a very active business community and a tech-savvy youth. Mumbai's population comprises students, professionals, entrepreneurs, and prospective investors, all of whom are increasingly seeking social media's counsel. Moreover, India's larger digital economy boom, driven by affordable internet penetration and smartphone availability, means that social media sites are not just entertainment outlets but learning tools and economic enablers.

However, the ease with which information is readily available is problematic. Not all information is credible, unbiased, or accurate. Investment involves research and long-term planning, and such planning and research can be undermined if people act on emotional responses based on social media trends or viral snippets of information. There is a huge disparity between the amount of information available and its depth or quality. This study acknowledges such disparity and seeks to examine the implications of acting on such information.

This section also poses the core research question: How does social media shape the investment decisions of young investors, especially in Mumbai, and what are the implications for financial literacy and decision-making? It also poses the larger significance of this question, not just in being able to understand behavioral finance in the digital era but also in assisting policymakers, educators, and financial institutions in being able to create tools to assist investors in this changing environment.

By setting this context, the introduction appropriately demarcates the research boundaries, the importance of the case study location (Mumbai), and the social context which accounts for why this research is necessary and appropriate.

Research Methodology:

Research strategy is the most critical aspect of any academic study since it outlines the approach, tools, and methods used in gathering and analyzing data. For this study, a mixed-methods strategy was used, combining both qualitative and quantitative research strategies to gain an in-depth view of how social media influences investment decisions, especially among youths in Mumbai.

Quantitative Component

The quantitative part of the research included a structured questionnaire administered to 75 respondents between 18-30 years—highly active years as far as online media are concerned. This age bracket was chosen particularly since younger investors are more likely to consume financial news via social media websites compared to the older conventional media such as newspapers or television news. The sampling method utilized was a mix of convenience sampling and snowball sampling. It was highly effective in accessing digitally active youth in urban settings since participants were asked to refer people whose profile suited the requirement.

The questionnaire included closed-ended questions (multiple-choice questions and Likert scales) and one open-ended question for collecting qualitative information. The data collected were analyzed using descriptive statistical analysis wherein measures of mode, median, mean, standard deviation, and sample variance were utilized to determine trends. One-sample t-test was utilized to check the statistical significance of the perceived effect of social media on investment decisions.

Qualitative Component

While quantitative data can quantify trends, they fall short in determining why or how people behave a certain way. To get around this, open-ended question responses were qualitatively analyzed. These provided insight into sentiment among investors, emotional drivers (e.g., FOMO), trust in content, and personal experiences with financial influencers. A thematic analysis approach was utilized to group similar responses and find recurring patterns or contradictions in user behavior.

Secondary Data and Literature Integration

Beyond primary data, the study also incorporated secondary sources to support and contextualize the findings. These sources included academic journals, whitepapers, and previously conducted studies related to social media, behavioral economics, and digital finance. This helped in validating the trends observed during the primary data collection and offered a benchmark for comparing findings.

Why Mixed Methods

The use of both quantitative and qualitative approaches is due to the nature of the topic. Statistics can inform you of the popularity or frequency of social media usage, but they do not account for individual reasons or thought predisposition. Both approaches together enrich the results and enable the research to not only test a hypothesis but also examine user behavior at a more profound level.

In summary, the selected methodology presents a balanced, credible, and insightful approach to understanding the changing and dynamic dynamics between investment decision-making and social media. It is the basis for evidence-based recommendations that are actionable and based on actual behaviors.

Review of Literature:

The Literature Review is the origin of any scholarly research. It brings the present research into context with the wider scholarly and empirical literature, detailing key findings of previous publications and creating gaps that the present research seeks to fill. In this paper, the literature review analyzes the changing relationship between social media usage and investment behavior, especially among the youth.

A number of studies indicate the growing significance of social media as a source of information for investors. For instance, Dr. Sahel Ali et al. (2021), in their study of the Amman financial market, discovered Facebook to be one of the dominant media through which investors get financial tips, opinions, and market updates. This testifies to the role of social networking websites in enabling peer-to-peer information sharing in real time. It also indicates a shift away from mainstream financial advice (banks, advisors) to more collective and decentralized sources of information.

Based on this concept, Ismail et al. (2018) categorized the impact of online social media into three general categories: information availability, community behavior, and brand perception. These are crucial in determining the impact of social media on personal decision-making as well as the overall market sentiment. For example, community behavior tends to induce herd behavior and lead investors to catch the wave without proper due diligence.

One of the most important pieces of work on the subject is Eric Tham's (2018) article, where he discusses how peer-to-peer communication on online forums increases financial literacy. His work highlights that social media does not just diffuse information—it helps us learn, mentor, and communicate. The thesis that sites like Reddit, Twitter, and Telegram can be informal yet effective learning spaces is supported by Tham's work.

In terms of generational behavior, Khatik et al. (2021) and Vishnu Maniy et al. (2023) provided valuable insights into Gen Z's investment behavior. Their studies found that Gen Z investors are more likely to rely on visual, interactive, and influencer-based content. Instagram and YouTube were identified as particularly influential due to their ability to deliver quick, digestible financial information. These findings suggest that content format is just as important as content quality in attracting attention and shaping decisions.

Also, the literature review points out some of the major issues. One of the common issues of concern for most of the studies is the possibility of misinformation. Because of the open nature of social media, the information is not necessarily authentic and verified. There is also the possibility of the "echo chamber effect," where the users are constantly exposed to the same opinions, creating biases and limiting the diversity of information presented. This skews perception and results in bad investment decisions based on popular fads instead of good fundamentals.

In conclusion, the existing literature supports the growing significance of social media in the investment process, particularly among new and young investors. However, it supports the need for critical consumption of the information and shows a general need for digital financial literacy. The review not only supports the rationale for the existing research but also informs the analysis and recommendations within a theoretically informed context.

Data Analysis and Interpretation:

The Data Analysis and Interpretation section is where raw data gathered during the research is analyzed to derive significant patterns, trends, and insights. This section is most important in evaluating whether the research objectives have been achieved and what empirical evidence has to say about social media's impact on investment strategies.

1. Demographic Profile

The distribution of the age of the respondents revealed that 54.67% were in the age group of 18-24 years and 45.33% in the age group of 25-30 years. This split attests that the study aimed at a digitally native generation, which is significant as they possess a high usage rate of social media websites. In regard to gender, 57.33% of the respondents were males and 42.67% were females. These numbers provide a relatively balanced perspective and are significant while examining any gender-specific investment behavior through social media.

2. Platform Preferences

Instagram was the most used platform to watch investment content, with 46.67% of the viewers preferring it. YouTube came next with 38.67%, followed by LinkedIn, Facebook, and Twitter with moderate popularity. This indicates that short-form and visual content—reels, stories, explainer videos—is more appealing to young investors than long-form text content. It also indicates that trust is shifting increasingly from traditional financial news sources to real-time news and influencer content.

3. Frequency of Exposure

Respondents indicated on a 5-point Likert scale how often they come into contact with investment content. The average was 3.77, with the median and mode being 4, indicating that the majority of the respondents are exposed to such content on a regular basis. This implies that social media is embedded in the daily information environment of young investors. Exposure is not random but habitual, which influences perception and awareness on an ongoing basis.

4. Adequacy of Content

When asked if social media information is enough to make informed investment choices, the respondents provided a mean score of 3.35, which indicates a moderate level of confidence. This implies that while social media is a good place to start, most do not believe it is sufficient or authoritative enough to make final choices. Qualitative feedback pointed to fears of bias, superficiality, and commercial interests behind some influencer content.

5. Hypothesis Testing

A one-sample t-test was used to statistically ascertain if social media content has significant impacts on investment choices. The result showed a p-value of 0.0621, which is but a hair's breadth from the conventional cut-off of 0.05. Thus, the study was unable to reject the null hypothesis, and no statistically significant impact—quantitatively, at least. Qualitative data told a different story, however, saying that social media content affects initial interest, emotional readiness, and even comparing oneself to others, though these may not necessarily find immediate expression in investment behaviors.

6. Interpretation and Implications

While the statistical test did not establish a causal relationship between content and decision-making, the contextual influence of social media cannot be excluded. It creates awareness, educates users on investment basics, and influences the timing and confidence of financial behavior. This dualism—quantitative moderation and qualitative influence—reflects the psychological and social complexity of investment behavior in the digital era.

Findings:

The results indicate a subtle impact of social media on investment behavior. Perhaps the most important result is that sites like Instagram and YouTube are not just entertainment websites but also points of entry to learning about finance. Social media is a key driver of making people aware, particularly among first-time investors. Its impact on final decision-making is not as strong; most users look for additional validation from financial planners or traditional sources before handing over money. Emotional drivers like FOMO will cause impulsive action, but these are typically balanced with a need for validation. The research also discovered that the credibility of the content creator is a key driver of trust. Although influencer-based content is highly consumed, the users are careful about the authenticity of the same. Overall, the results indicate that social media is more of an educational and inspirational platform than a transactional one, paving the way for informed choice rather than causing them directly. he results of this research indicate that social media has a subtle but significant impact on investment-related behavior among young investors in Mumbai. Perhaps the most important result is that sites like Instagram and YouTube are being used increasingly not only for entertainment but as points of entry to learning about finance. This is an important result because it indicates a generational shift away from traditional financial learning (books, newspapers, courses) to more informal and peer-based learning about investments.

While most respondents indicated frequent exposure to investment information, this did not necessarily translate into direct or immediate investment activity. Rather, social media was used to build financial know-how, become informed about new trends (e.g., cryptocurrency or mutual funds), and keep current on market activity. Social media thus operates more as an educational stimulus—encouraging interest and initial awareness—than as a medium that leads to definitive financial behavior.

An interesting turn was towards the credibility of content creators, also referred to as "finfluencers." Although their popularity and reach are excellent, respondents were hesitant to entirely trust their suggestions, especially when posts had no supporting evidence from data or when endorsing something. This reflects escalating digital skepticism among youths, where users are reading content critically instead of just accepting it as it is.

In addition, the study illuminated emotional drivers of investment behavior. FOMO (Fear of Missing Out) was among the common themes in the qualitative feedback. The participants indicated feeling the pressure to invest in popular assets (such as meme stocks or altcoins) after witnessing others talking about them online. Nevertheless, some of them stated resisting the pressure to act on impulse and instead cross-verifying information or consulting more trustworthy sources such as financial advisors. This is an indication of increased awareness of the risks of being part of the herd and the psychological pressures of viral content.

The second important take-home is acknowledging social media as a community space for learning. Certain participants liked the interactive nature of platforms—commenting sections, Q&A, live webinars, and peer-to-peer discussions. Such features bring an element of belonging and collective economic progress, reducing investing as more of an isolated activity and instead as a shared experience.

Significantly, statistical analysis was not showing a high direct correlation between social media posting and actual investment choices (as evidenced in the results of the t-test). Qualitative results firmly, however, did demonstrate an indirect but genuine contribution, most significantly in influencing attitudes, confidence-building, and exposure to financial jargon and products.

In short, the study indicates that the fundamental nature of social media is not transactional but transformational—transforming young people's understanding of money, risk, and opportunity. It serves as an entry point for deep exploration of investing, not as a source of direct personal finance advice. These findings require personal finance education efforts to mirror online behavior and appeal to regulators to control content quality in this rapidly expanding arena.

Conclusion:

The conclusion of the research paper summarizes the key findings acquired throughout the duration of the research and takes into account the broader implications of the findings. It reiterates that social media, while indirectly affecting investment decisions, plays an incredibly important facilitating role in affecting the manner in which individuals, and particularly young individuals, engage with finance. Platforms such as Instagram, YouTube, and Twitter have become sources of financial discussion, altering the manner in which information is consumed, interpreted, and reacted to.

For young investors in Mumbai, social media is the gateway to financial literacy, which makes them aware of markets, products, and investment vehicles that would be inaccessible otherwise. It reduces the entry barrier by providing content in engaging formats—reels, stories, and explainers—and through familiar creators who describe finance in simple language. This has leveled the playing field in terms of financial knowledge and given young people the choice of being the captains of their own economic future.

But the research also cautions against the unregulated quality of the space. The risk of misinformation, clickbait, and amateur opinion is high when information goes viral or is commodified by brand marketing. The emotional power of social media—by FOMO, social comparison, or social pressure—can obscure rational thinking. Such emotional triggers do not always lead to bad decisions, but they introduce psychological risk into the process of making financial decisions.

One of the strongest learnings is the awareness-action gap. Though social media works well to introduce young investors to financial ideas and opportunities, most of them continue to look for validation through more conventional channels—like talking to advisors, reading on established websites, or taking cues from family members—before making a financial commitment. This is a testament to increasing maturity among young individuals, demonstrating that though they are comfortable with digital tools, they don't employ them willy-nilly.

The conclusion also refers to the broader implications of the findings. There needs to be formal digital financial literacy training that goes beyond the teaching of conventional investment theory to incorporate critical content analysis of what is out there online. In addition, the evolving role of influencers in finance suggests the need for regulatory regimes that monitor the accuracy and integrity of financial advice offered on social media.

In short, social media is not just a fad in the world of investing—it is a structural transformation. It has remapped how individuals interact with financial information, with whom they trust, and how they act. But this transformation calls for equally contemporary interventions—using education, policy, and platform responsibility—to harvest the highest dividends of social media while keeping its dangers at an arm's length.

Suggestions:

Based on the information and conclusion drawn from the research, it is clear that although social media continues to be a significant driver of investment awareness and behavior, there are risks associated with it that need to be brought under regulation. These proposals here seek to tackle this risk vs. opportunity aspect by way of proposing multi-stakeholder solutions involving regulators, education establishments, financial bloggers, investors, and social media.

1. Combining Financial Literacy and Digital Media Literacy

Schools and colleges must move beyond the usual financial literacy curriculum of saving, investing, and budgeting. In the present scenario, it is also crucial to impart digital wisdom—how to critically assess financial information on social media. Modules must include how to recognize good sources, how to recognize red flags like pseudo-testimonials or pushy marketing, and how to distinguish between authentic education and marketing material. Schools, colleges, and professional certification organizations (like SEBI in India) must include such training as part of their curriculum.

2. Finfluencer Certification and Regulation

Since influencers have become so influential and popular, regulatory bodies such as SEBI or RBI would do well to implement voluntary certification programs or verification procedures for financial influencers. These certifications would not censor but would indicate a minimum standard of accuracy and ethics, similar to a "blue tick" for verified expertise. This will enable audiences to distinguish between authentic educators and self-serving influencers who are selling affiliate links or hedging advice.

3. Collaborative Content Creation

Teachers, economists, and social media influencers can work together to co-create engaging, evidence-based finance content. These partnerships would bring the technical know-how of finance professionals together with the storytelling skill and audience engagement of influencers. Types of content could be short learning videos, live Q&A, gamified learning, and interactive webinars that are both entertaining and educational.

4. AI-Driven Moderation and Content Flagging

Social media platforms should invest in AI software that identifies financial misinformation, just as they have for identifying false news or hate speech. Such tools can identify hyperbolic statements (e.g., "make double your money in a week"), unsourced investment tips, or unethical promotion of overly risky products such as unregulated cryptocurrencies. Users can also be provided with mechanisms to report suspicious financial content.

5. Financial Institutions' Modernization of Communications

Banks, mutual fund companies, and fintech firms must redesign how they approach outreach in a bid to catch younger consumers. Rather than depending on brochures or copious disclosures, they must engage in visual narrative, bite-sized messaging, and interactive media. This not only builds trust but guarantees vetted, correct monetary advice is accessed where target consumers are spending their time—on platforms like Instagram, YouTube, and Twitter.

Together, these proposals aim to deliver a more secure, more intelligent, and more empowering system of digital finance. This is not censorship of content or preventing people from using social media but giving the consumer the information and resources they require to make informed, independent financial choices wherever they are getting information

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