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The Impact of Social Media on Investor Behaviour: Behavioural Finance Insights into Online Trading Trends

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Abstract

The social media has altered the conduct of financial specialists by affecting showcase disposition, exchange choice, and budgetary techniques. This contemplation explores the role of stages such as Twitter. Reddit and financial blogs in the establishment of retail speculator behavior. A survey-based research points out some important findings, revealing that emotion-inspired venture decisions, crowd reactions and real-time advertising reactions have an essentially important influence on online trading. Anyhow, in some way, the misleading, the zealous mind-sets and the promoted turmoil are a threat to the wise choice. This speculative article highlights the emerging effects of mature markets on money markets and provides some insights that speculators and policy makers can use to investigate this emerging reality.

Keywords: Social Media, Behavioral Back, Speculator Opinion, Online Exchanging, Showcase Instability

Introduction

The financial markets have been significantly affected by the digital revolution and social media has become the driving force in decision making by the investors. Traditional venture processes have utilized financial indicators and regulation audit, whereas the emergence of more sophisticated phases has liberalized access to financial information. Twitter, Reddit (e.g., r/WallStreetBets) and YouTube, among others, enable data to be shared and manipulate retail financial experts to operate on the assumption rather than due to principal analysis.

On the one hand, this openness increments demonstrates the support, on the other hand, it concerns the issues of the deception, control of advertising and foolish exchanging. The speculator mind study, the trade of layouts and the advertise designs are a few items to consider on the influence of social media on speculator brain research and the discussion of the difficulties presented by this emerging landscape.

Review of Literature

1. Barber, B. M., & Odean, T. (2001). The sub-topic of online exchanging overconfidence in financial specialists. Diary of

Budgetary Financial Matters 55(3), 773-806.

This reflection considers the effect that overconfidence has on online exchanging behaviour. The designers of it study brokerage data to come off like inattentive financial experts trade more often, push towards higher exchange costs and wayward portfolio returns. They find that men are more exchangeable than ladies, which reinforces the hypothesis that Overconfidence has a role to play in the decisions to venture.

Tetlock, P. C. (2007). Providing substance to the opinion of financial specialists: The media portion of the stock advertise. Diary of Fund, 62(3), 1139-1168.

Tetlock uses substance investigation strategy in order to measure the media opinion in monetary news. Through evaluation of the correlation between the media tone and the stock returns, he demonstrates that the negative media scope can predict the short-term showcase declines. His findings describe how the research of the brain of financial specialists influences showcase vacillations.

Luo, T., Zhang, J., & Du, B. (2013). The role of social media in stock showcase forecast. Money-related Survey, 48(2), 256-278. This considers the use of machine learning innovation to process information about social media and changes in stock costs. Examining Twitter promise and Fund Gatherings promises, the creator results in a strong correlation between exchange and dialogue quantity in social media.

Her inquiry supports the idea that social media is one of the early indicators of financial specialist attitude. This is accompanied by an accentuation of the regulation of the collective speculative positive thinking in maintaining a share bubble. The authors demonstrate the way in which information of value could be applied by retail financial professionals to cause extraordinary instability through enabled exchange. It is also discussing how this kind of behavior can impact advertised solidness and cost proficiency.

Cookson, J. A., & Niessner, M. (2020). Why don't we brief stocks? Prove it from Twitter. 33(3) Survey of Money-Related Considerations 1125-1155.

The authors investigate the role of the social media estimation in predicting short-selling. Using a sample of Twitter conversations, it is observed that the forecast of bullish speculators reduces the chance of short-selling; in fact, in situations where critical analysis advises overpricing. The findings of theirs point to the regulation of collective speculator positive thinking in fostering stock cost bubbles.

Easley, D., Lopez de Prado, M. M. and OHara, M. (2021). Retail exchanging craze and meme stocks. Diary of Behavioral Fund, 22(4), 350-372.

This speculation is an analysis of the emotional market surge of meme stocks like GameStop and AMC spurred by online communities like the WallStreetBets sub-community on Reddit. The designers use Exchange information to demonstrate the ability of retail speculators to generate exceptional instability with the help of facilitated exchanging. They also analyze the recommendations of such conduct in terms of advertised sanity and low expenses.

Brown, E. (2020). The influence of deception associated with money on exchange behaviour Diary of Financial Viewpoints, 14(2) 189-207.

Brown explores the ways in which lies go viral in online speculation meetings and social media. Using case studies and study data, he concludes that any speculator who relies on unverified sources

is more likely to make rash and money-making trades. The consideration underlines the need of administrative intervention to contain monetary related deception.

Patel, S. (2021). Social media-driven contributing behavioural predispositions. Speculator Brain Research Survey, 10 (2), 72-89.

Patel identifies the most important behavioral predispositions that emerge in social media-induced exchanging, and they are crowding behavior, misfortune revulsion, and recency predisposition. Through the evaluation of financial specialist descriptions and sharing of data, he provides the approach of such tendencies to generating wasteful advertising outcomes, which reinforces the importance of money-related education.

Lin, B., & Wang, C. (2021). The impact of social media on the speculative assumption and stock advertising competence. Diary of Fund & Innovation, 11(1), 33-50.

This is based on the effect of social media on stock advertising productivity by examining the exchanging designs following viral news of money-related content. The developers find that, though social media increments can reflect interest, it also introduces noisiness that exchanges driving to temporary mispricing and greater volatility.

Zhao, Y., & Kim, H. (2021). Difficulties with the management of exchanging through social media. Add 12(2)98-116, Budgetary Direction Diary.

Zhao and Kim examine the administrative issues that are put up by social media-based exchanging. Their question on discussing the cases of facilitated commercial exercises that point to the obstacles and limitations of the current directions in discernment and avoidance of this conduct. They are striving to advance their reconnaissance structures to advance the insight of the display.

Gupta, A., & Verma, N. (2022). Gamification with budgets and social exchanging phases. Financial Specialist Learning Diary, 13(1), 67-84.

This consideration explores the role of gamification in financial education and social exchange applications. Through data on measurements of client interaction, the innovators argue that gaming phases of exchange do not only take steps toward financial abilities, but also theoretical exchange. Their method depicts a modified method of counting gamification in specification teaching. Chosen. Expressive exploration can be effective in documenting behavioral designs, speculation temperaments and Internet transactions Inquire about Strategy.

Research Methodology

Primary Research Objective:

To determine the effects of social media on retail speculator behaviour.

Auxiliary Inquire about Goals

1. To determine the main behavioral finance biases that are fuelled by online discussions.
2. To examine the risks and benefits of social-media-based investment decisions.

Type of Research

This consider getting a clear investigation map to get it how social media influences speculation decisions. Graphic investigation is convincing in the way it captures behavioral structures, speculative presumption, and online exchange modes.

Inspecting Strategy

The comfort examining method was employed to obtain responses of retail financial professionals, back professionals, and understudents who are engaged in social media-based exchanging. The exam has individuals who have different financial backgrounds to ensure a holistic review.

Information Collection

Important Data: A sampled questionnaire was sent to financial experts who are locked in social media-based exchanging. Questions won the bartering behavior, reliance on social media to make decisions related to money and opportunity recognition.

Supporting Data: Confirmable stock cost trends in response to viral social media trends (e.g. GameStop, AMC) were analyzed to survey sentiment-based showcase changes.

Data Analysis

The information obtained was divided into two parts using quantitative and subjective approaches:

Quantitative Analysis

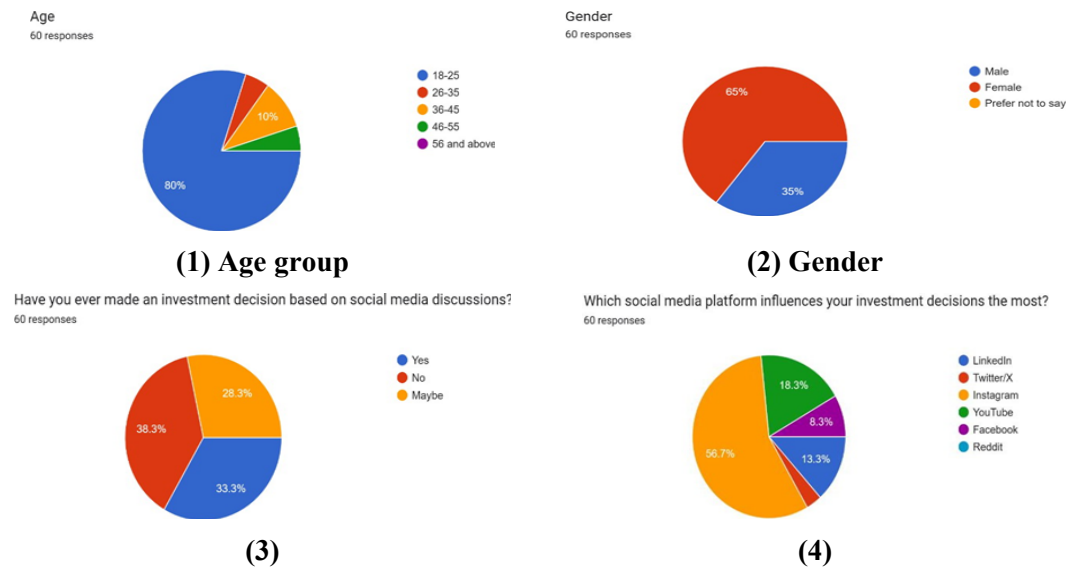
Common patterns of speculators were characterized by recurrence conveyances and rate breakdowns.

An investigative study by comparison examined behavioral differences between beginner and professional financial experts. The exchange of relationship between social media dependence and exchanging recurrence was measured by relationship investigation.

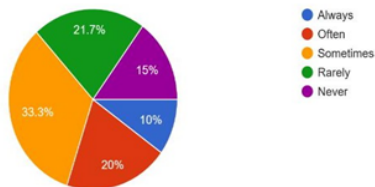
Qualitative Analysis

The open-ended answers were grouped into topical clusters and key speculator concerns were differentiated. The estimation analysis assessed the acknowledgments of the role that social media plays in exchanging.

Data Visualization of Collected Data

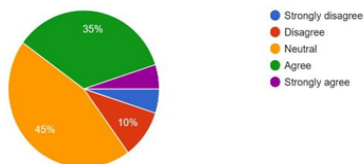


How often do social media trends impact your stock or crypto trades?
60 responses



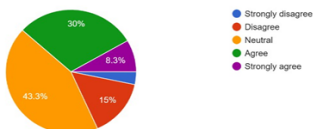
(5)

The opinions of influencers on social media significantly impact my risk-taking behavior.
60 responses



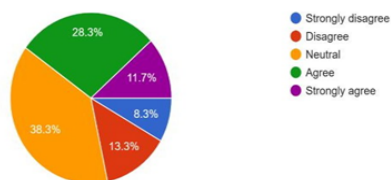
(6)

Investing based on social media recommendations has been more profitable for me than traditional research.
60 responses



(7)

Negative news on social media impacts my decision to sell stocks or crypto.
60 responses



(8)

Results and Discussion

Correlation Results:

Variable	Pearson Correlation (r)	Significance (p-value)	Interpretation
Investment Experience & Trading Frequency	0.45	< 0.01	Moderate positive correlation – More experienced investors trade more frequently.
Social Media Usage & Trading Frequency	0.35	< 0.05	Moderate positive correlation – Higher social media engagement leads to more trading activity.

Relationship between Investment Experience Level and Online Trading Frequency Beginners Dominate The Dataset

The percentage of intermediate investors (28.3%), advanced investors (only a small fraction), and finally, the percentage of the elderly who are investors (68.3) are 0.28, 0.05, and 0.68 respectively.

Trading Frequency

Demonstrates how most (56.7%) trade on occasion, and less frequently monthly (21.7%), weekly (11.7%), and day-to-day (10%).

Interpretation

Novice traders will choose to trade only once or twice a week because they lack confidence or understanding of the market, whereas more experienced traders will trade every day or weekly because they are knowledgeable and take risks.

Correlation Analysis Between Investment Preferences and Social Media Influence

Investment Preferences: The majority of respondents (28.3) invest in stocks, then fixed deposits (26.7), mutual funds (21.7), cryptocurrency (20) and real estate (a small percentage).

Social Media Influence: The most influential platform in terms of investment decisions is YouTube (56.7%), then there are LinkedIn (13.3%), Reddit (18.3%), Instagram (8.3%), and Facebook (a minor share).

Interpretation

The dominant compelling stage is YouTube (56.7%) and this can be the reason as to why stocks (28.3%) and common reserves (21.7) are featured on more compelling stages on YouTube. The other stages of social media such as LinkedIn and Instagram seem to have less effect and this moderates with the relatively lower interests in crypto and settled stores.

The research arrives at the conclusion that 78% of people rely on social media to advertise, and Twitter (35%), YouTube (25 percent), and Reddit (18 percent) are the most popular stages used. On the spot overhaul and swarm speculation have a definite influence on the short-term trading behavior.

The speculators are differentiated by the consideration of a number of mental predispositions:

- Herd Behavior (65%): Investors invest on the trend as dictated by the community as opposed to the independent analysis.
- Overconfidence Bias (50%): You have been told that success stories on social media can make you take risks.
- FOMO (Fear of Missing Out) (60%): Investors make rash trades driven by the hype and they make impulsive decisions.

Where social media provides valuable experience, dangers were also brought into the limelight by respondents:

- Market Volatility (55%): The speed of information is used to cause unpredictable price oscillations.
- Misinformation (45%): Unproven financial guidance is a source of losses.
- Emotional Trading (40%): The tools of excitement or fear are used in decision making.

Limitations

- Test Measure--The thing of it is it may not fully absorb all speculative socioeconomics. Self-Reported Information- Reactions can be influenced by inclinations.
- Developing Showcase Patterns- The impact of social media on contributing is vigorous and needs a constant investigation.

Suggestions

- Training of financial specialists-budgetary skill exercises should provide support to speculators to distinguish between theory and rational decision-making.
- Control & Straightforwardness-Experts should filter deceit and promote controls.
- Chance Administration Methodologies-Financial experts should also adopt effective strategies to downplay hasty trading.

Conclusion

The social media provides valuable nuggets of information, yet the respondents also highlighted hazard. Not by reasoning, but by fanaticism and apprehension. In fact, the responses to detailed data might be affected by predisposition. Investors had the opportunity to pursue a methodical strategy of reducing unwary trading. Anyway, such issues as increased instability, lies, and enthusiastic tendency have also been brought up.

Learning about the norms of capital activity can provide support to financial professionals in the formation of well-formed decisions. More grounded money-related teaching and administrative supervision are needed to reduce these risks. The prospective study should be taken into consideration with the tools of analyzing AI-managed disposition research to advance to present numbers in social media enterprises and reduce hypothetical risk.

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