Investigating the Relationship of Social Media on Investment Decisions of Young Adults in Mangaluru City of Karnataka

[*1]Kavya V Bhat, [*2]Ayush GK

[*1]Junior Tax Associate, Moss Adams India, Bengaluru, Karnataka, India

[*2]Assistant Professor, St Aloysius (Deemed to be University), Mangaluru, Karnataka, India

Abstract

In a world driven by Social Media, young adults are constantly exposed to financial advice and investment trends online. This study examines how social media shapes the investment decisions of young adults residing in Mangaluru, India. Through a survey-based approach, the study explores how social media platforms inform, shape, and potentially influence the investment choices of this demographic. The data gathered is visualized through charts, and inferences are drawn to understand how information and trends on social media affect investment behavior. This research reveals the growing phenomenon of social media's influence on financial decisions and presents crucial data on the credibility of information found on social media platforms, an area for peer influence, or a breeding ground for impulsive investment decisions for young investors navigating the complex world of investments. The verdict derived from this paper can be used to attain a broader understanding of shaping young adults' financial decision-making and the evolving landscape of investment decision-making in the reign of social media.

Keywords: Social Media, Investment Decisions, Young Adults, Mangaluru.

Introduction

In today's digitally driven world, social platforms have become an undeniable force influencing our daily lives, including financial decision-making. Young adults, a demographic known for their tech-savvy, are particularly susceptible to this influence, especially in terms of investment decisions. This research investigates this phenomenon within the context of Mangaluru, India, by analyzing how social engagement networks and content shape the investment choices of young Mangaloreans. Given the potential for both information and misinformation online, it's crucial to understand how young investors navigate this landscape.

Research Context and Background

The financial landscape is experiencing a dramatic shift owing to increased usage of social media. Traditional financial institutions, once the undisputed source of investment guidance, now face a powerful challenger: social media platforms. YouTube, Instagram, and Twitter are overflowing with investment-related content, from educational tutorials to specific recommendations. This constant barrage of financial information, delivered in formats ranging from professional analysis to casual commentary, has the potential to significantly impact the investment choices of young adults.

However, the true extent of this influence, particularly in emerging economies like India, remains unclear. Research has yet to fully explore how young adults in these regions navigate the social media landscape for investment advice.

Additionally, city-specific studies, like those focusing on young adults in Mangaluru, provide critical data regarding the nuances of investment decision-making within a particular socio-economic and cultural context.

The study at hand addresses this knowledge gap by investigating the control of social networking websites on the investment decisions of young adults residing in Mangaluru, India. Through a survey conducted within this demographic, the research seeks to get an idea of the evolving financial behavior of the young crowd in the digital age. The resulting data will provide valuable insights for both financial institutions and policymakers, enabling them to better understand and cater to the needs of this critical demographic.

Research Objectives

1. To investigate the effect of social networking websites and information on the investment decisions of young adults in Mangaluru.
2. Keenly recognize the agents that influence the financial behavior among young adults.
3. To study the extent of control the opinions and advice found in social media have on investment decisions.
4. To identify the connection between knowledge of finance and investment decisions among young adults.

Research Methodology

Understanding this connection of social media engagement with investment behavior is critical for encouraging education related to finance among young adults. To achieve this, an online survey was employed to gather data on the influence of social media on investment decisions among young minds in Mangaluru, India. The survey utilized multiple-choice questions (MCQs) to ensure standardized responses from participants 100 within the focus group of 18-30 years old residing in Mangaluru city. Stratified random sampling was likely used to gain a more representative sample within the chosen age bracket. The analysis of data would consist of descriptive statistics to understand the trends within the MCQ responses.

Importance of the Research

The research investigates how the utilization of social platforms influences the investment decisions of young adults in today's digital landscape. It sheds light on a growing trend – social media's influence on financial behavior – within the specific context of young Mangaloreans in India. Apart from acknowledging the gap for emerging economies, this paper also provides precious foresight for financial institutions and policymakers. By understanding how young adults utilize social media for investment information, institutions can tailor their strategies, while policymakers can develop policies promoting financial literacy and responsible investment practices in the digital age. Furthermore, this study paves the way for future research, providing a foundation for a deeper exploration of social media's influence on investment decisions.

Scope

This research focuses on investigating the sway of websites for social engagement and their content on investment decisions of young adults in Mangaluru, Indi. This paper has attempted to identify the specific types of social media content that influence their investment choices and has tried to get an idea of the perceived benefits and drawbacks of relying on social platforms for investment advice.

Limitations

- Participants might answer in a certain way to be perceived as socially desirable, affecting the accuracy of responses regarding investment decisions.

- Multiple-choice questions (MCQs) might restrict the richness of responses compared to open-ended questions, potentially missing nuances in investment decision-making.
- The relatively small sample of 100 respondents may limit the generalizability of findings to the entire young adult population in Mangaluru.

Data Analysis and Interpretation

Fig 1: Chart showing the Age distribution of the respondents.
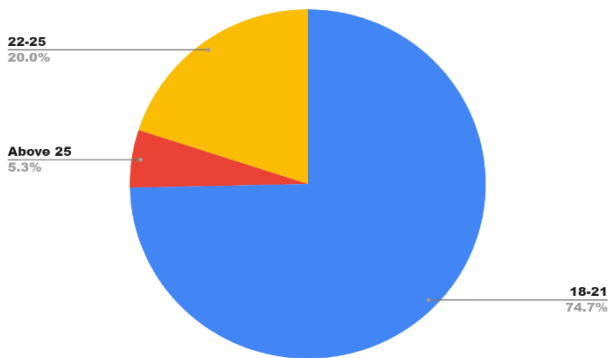
The above Fig 1, gives us deeper insights into the age aspect of the focus audience, with a large group of audiences belonging to the age category of 18-21 we can understand that, there is a massive amount of awareness about Gen Z on the importance of investing early. Followed by people of the age group of 22-25 and a small portion of respondents belong to the age group of 25 and above. This helps us center our research on the most technologically equipped generation of young adults, the Gen Z's.

Fig 2: Chart showing the gender distribution of participants
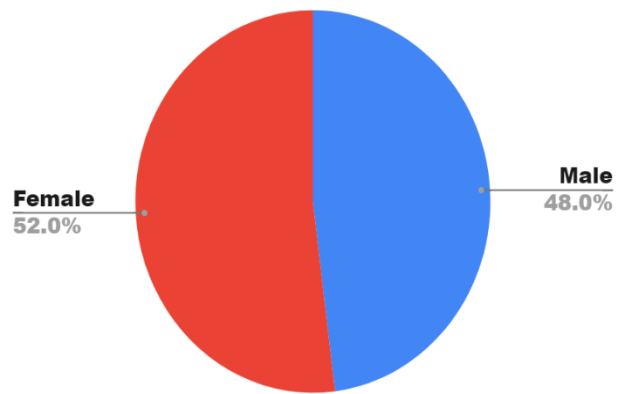
From the above chart, we understand that among the 100 respondents, the major portion of respondents is females with about (52.0%) response rate, compared to the male population who account for only (48.0%) of responses on the survey. This may be caused due to the increasing involvement of women in various sectors of the economy.

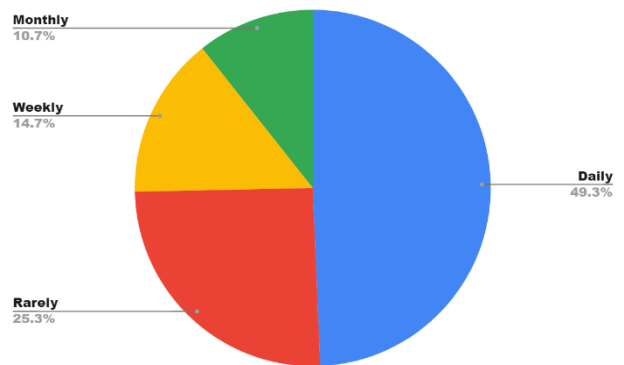*Fig 3:* Chart showing the prevalence of Social platforms opted to learn about Investment Opportunities.

Fig 3, presents valuable data on the frequency of platforms for social connection used by the respondents to learn about investment opportunities. Upon analysis, it was found that a portion of (49.3%) of the individuals daily engage themselves with investment-related findings on social sites to stay updated on market trends.

However, (25.3%) of the respondents' data tell us that there exists quite a sufficient amount of people who actively make use of sites for social interaction for the purpose it was intended to; socialize, connect with people, and as a means of keeping oneself up-to-date with changing trends. While (14.7%) of weekly and (10.7%) of monthly active users suggest that, social media as a channel for investment-related information - is a growing concept in Mangaluru.

Fig 4: Chart showing the popular platforms for investment-related information.
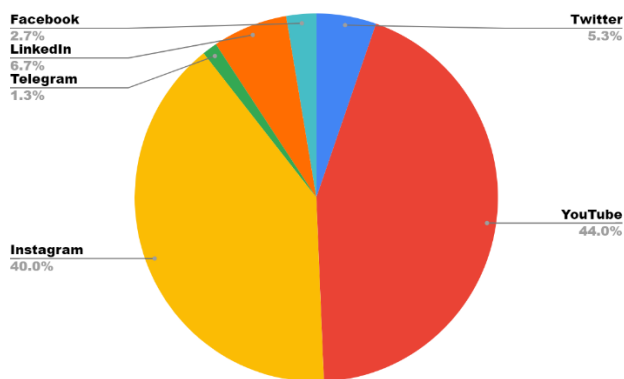
Upon analyzing the information from the above Fig 4; we may understand that, majority of the respondents prefer gaining investment-related information from YouTube. With over (44.0%) of respondents selecting this option, it may be so because studies show a higher retention rate for video-based content compared to text-based information. This theory is further proved as the next most popular investment platform is Instagram with (40.0%) of users Followed by LinkedIn with (6.7%) of respondents having a comparatively low opt rate. Facebook and X (formerly known as Twitter) are the least preferred platforms. The popularity of a particular social application also plays a significant role in this selection difference.

Fig 5: Chart Showing the Frequency of Respondents Engaging with Content from Financial Influencers on Social Media
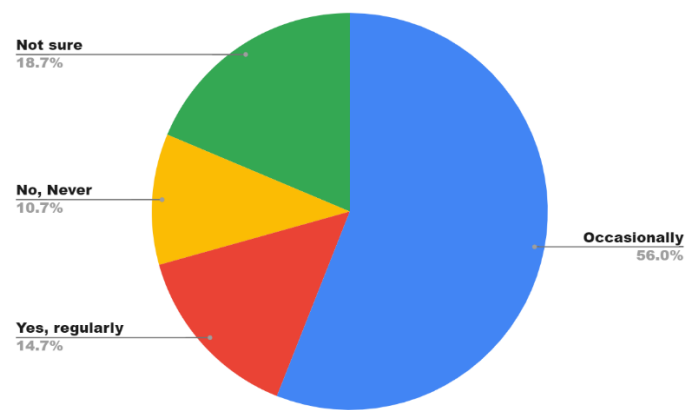

Fig 5, shows that (56.0%) of respondents occasionally engage their time in keeping tabs on various Fin-fluencers and their content online, whereas, (18.7%) of participant group are unsure about their engagement behavior. There are (14.7%) of actively engaged users who choose to engage with financial influencers and their content with which, we understand that a majority of individuals surround themselves with financial influencers and their content.

Fig 6: Chart showing the portion of respondents who have made an investment decision based on the weight of social media
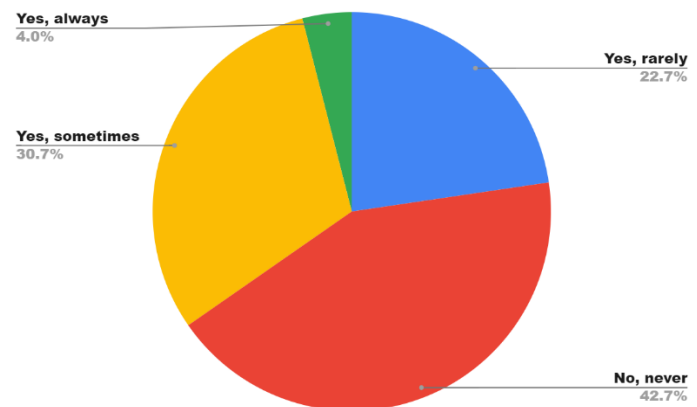

Fig 6 provides a critical insight into the sway social media holds over young Mangaloreans' investment choices. While the majority (48.6%) wisely choose not to be solely influenced by social media information, a significant portion (53.4%) occasionally (30.7%) or rarely (22.7%) base their decisions on it. This suggests social media may play a role in nudging investment behavior,

possibly because of the allure of trending investment opportunities, the social pressure of peers following similar strategies (herd behavior), or others that warrant further exploration.

Fig 7: Chart Showing the Most popular Investment Avenues Chosen After Following Social Media Content
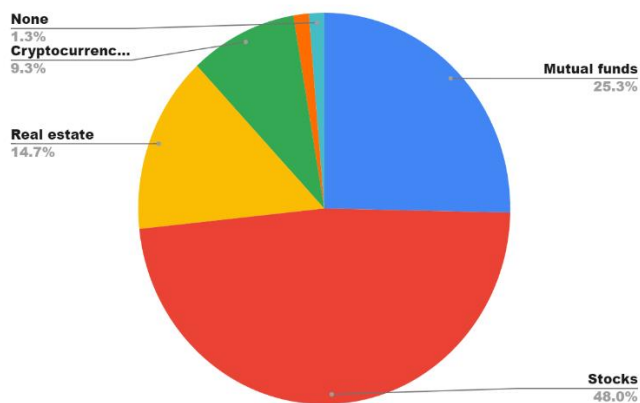

Fig 7 details the investment choices of respondents, with (48.0%) opting for stocks, followed by mutual funds at (25.3%). This preference for stocks and mutual funds might be owing to the benefits of diversification, liquidity, and long-term growth potential they offer. Real estate emerges as the third most popular choice, possibly driven by rising land prices in India and its value as a long-term asset. Additionally, the data reveals a growing interest in cryptocurrencies, suggesting a future area of increased investment activity.

Fig 8: Chart showing the active changes in the strategies of the respondents based on discussions or feedback reverted through social sites.
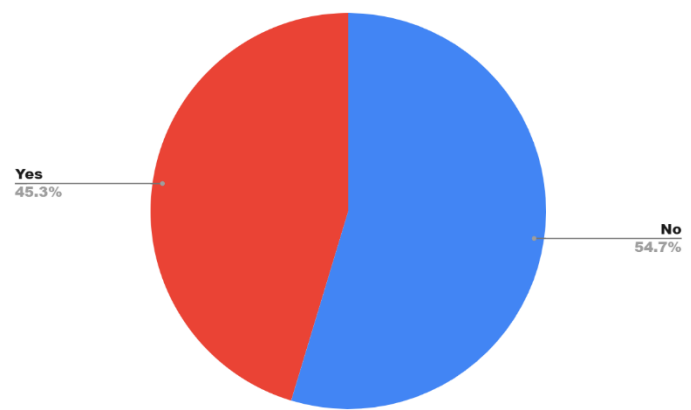
Building on Fig 6, Fig 8 reveals that while a majority (54.7%) of respondents maintain their investment strategies despite consulting social media, a significant portion (45.3%) have adjusted their strategies against the information they receive. This highlights the degree of social media's influence on young adults' investment decisions.

Findings

- Nearly half (49.3%) of respondents consume investment content daily on social media, making it a preferred information source.
- Stocks and mutual funds remain the top investment choices, YouTube and Instagram are the popular social channels.
- Over half (56%) of respondents occasionally follow financial influencers on social media, suggesting a potential influence on their investment decisions.
- Data reveals that (53.4%) of respondents have been under the influence of social media when making their investment decisions at least occasionally.
- Furthermore, (45.3%) of respondents have corrected their portfolio tactics on the basis of social media discussions or feedback.

Suggestions

This research highlights how young adults in Mangaluru can confidently enter the world of investment. The key lies in creating a strong

foundation. The following are some Key suggestions:

1. Develop Financial Literacy: With the enhancement of social media use for investment information, young adults must sharpen their acumen for finance. This empowers them to critically evaluate information online, make informed decisions, and avoid relying solely on social media for investment strategies.

2. Prioritize Diversification and Long-Term Focus: The data suggests a preference for investment avenues like stocks, mutual funds, and real estate. These options offer diversification and long-term growth potential, aligning with sound investment principles. However, it's important to consider individual risk tolerance and investment goals when making investment decisions.

3. Approach Cryptocurrencies with Caution: The growing interest in cryptocurrencies is undeniable. However, it's a potentially volatile market. Young adults should conduct thorough research on this asset class and understand the inherent risks involved before investing.

4. Verify Information: Misinformation can easily take birth in the social landscape. Hence, it's essential to verify information from financial influencers and other online sources before making investment decisions. Consulting with a qualified financial advisor can also be beneficial.

By following these recommendations, young adults in Mangaluru can utilize the benefits of social media for investment learning while making responsible and informed financial decisions, creating a secure financial future.

Conclusions

This study investigated the investment behavior and social media usage of young adults in Mangaluru. The results offer vital notes for empowering this demographic to make informed and responsible investment decisions. A key takeaway is the high concentration of Gen Z respondents (Fig 1), highlighting the growing awareness of early investment within this generation. Furthermore, the increased female participation rate (Fig 2) suggests a positive trend of women taking a more active role in financial management.

Social media emerged as a prominent learning channel, with a substantial portion of respondents using platforms like YouTube and Instagram to access investment information (Fig 3 & Fig 4). Partnering with reliable financial influencers on these platforms can be an effective strategy for disseminating accurate and engaging educational content (Fig 5). However, the paper also revealed a segment unsure on how to critically evaluate online information (Fig 5). Developing financial literacy initiatives can equip young adults with the skills necessary to navigate the digital financial landscape.

The revelation made, suggested that while social media can influence some investment decisions (Fig 6 & Fig 8), a majority of respondents prioritize independent research and diversification (Fig 7). This aligns with sound investment principles. Additionally, the growing interest in cryptocurrencies (Fig 7) underscores the requirement for materials that address both the potential rewards and potential threats involved with this new asset class.

In summary, By understanding the financial literacy landscape among young adults in Mangaluru, this study offers valuable insights for targeted financial education interventions. Through leveraging social media for learning, conducting independent research, prioritizing diversification, and making informed decisions aligned with long-term goals, young adults can construct a sturdy base for their future. Further research could explore the effectiveness of targeted financial literacy campaigns and the development of educational resources the specific needs of young investors in this region.

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