IMPACT OF SOCIAL MEDIA ON BIASES OF INDIVIDUAL INVESTOR'S DECISION MAKING

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Abstract:

The prime intent of this research is to methodically analyse whether or not social media tends to create a sense of biases in the minds of the individual retail investors while decision making. The whole and soul of this research or analysis stands on the fact that in recent time social media is playing an imperative role in each and every individual's day to day life. Hence, this research will strictly adhere to the individual daily interaction on social media platforms and what important or effective input or relatively information is attained from these enormous and moving platforms. Questionnaire of 25 questions was drafted and forwarded to 250 prospective responds and out of which 200 responses were received. The questionnaire consisted of questions on demographic details like age, sex, marital status, place and income, the latter half of the questionnaire had questions to understand the consumers behaviour and reasoning ability about how many different types of social media platforms is he/she is active on and does it have any influence on the individual investors behaviour. The Statistical methods used for decoding the data were SPSS and Microsoft Excel was used to carry out the descriptive analysis of the respondents.

Targeted investors are mostly between age group of within 30 yrs. They are really attracted on social media & actively participated. Purchasing residential property is big decision so impact of social media is need to be authenticate. Even though use social media but authenticity of all the channels in social network are still not reach the threshold of acceptance. Print media, Real time website update, subscribed information & annual report is accepted by the investors.Reasons for continuous transition from other media to social *media access but still questionable on relying on the information due to various reasons like confusion, mostly critics for all views, increase risk & not finding rational.*

Key Words: Social Media, Consumer Behaviour, Decision Making, Investment.

Introduction:

The impact of social media interaction on the biases of individual investor or retail investor is creating a buzz as per the current trend and study it clearly depicts the fact that yes more and more people are using social media platforms in their day to day life. But as per analysis and depth research it can be said that social media is still gaining to strengthen its feet on the ground of advising individual investors on where to invest, social media platforms are still not persistent on capturing the current market trends which any ways is "fugassie". All the platforms are not capable enough to predict the market and majority of the population do not rely only on social media information else they trace it against investment portals and micro blogging sites. Social media platforms are currently changing the entire game and becoming more and more proficient in creating a sense of biases in the minds of the investors, which further is effective or true we will try to draft or have a profound analysis of the same in our research paper. Understanding the consumer behaviour is a very important aspect of any business organisation. In this study we are trying to encapsulate all the criteria which plays fundamental role in an individual's investment research and decision making using the social media platform. A new study from Greenwich Associates reveals that almost 80% of institutional investors use social media as part of their regular work flow, and approximately 30% of these investors say information obtained through social media has directly influenced an investment recommendation or decision.

In a report released entitled, ***Institutional Investing in the Digital Age: How Social Media Informs and Shapes the Investing Process***, Greenwich Associates presents the results of its study of 256 corporate and public pension funds, insurance companies, endowments, and foundations in the U.S., Europe and Asia.

Mangold &Faulds (2009) cited **Blackshaw&Nazzaro** (2004) definition of social media, which describes it as: "A variety of new sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities, and issues”. Financial brands, even more so than others, need a cross-organization social strategy, not just a marketing strategy that includes social. They also need to measure it. Boards and budget holders in this category are numbers people by definition, so a lack of metrics and tangible results means social isn't taken seriously, which means it doesn't get allocated budget ... which means you don't get the metrics ... which means ... and on and on... 2014 will no doubt see advances, but the risk is that by the time slower financial brands are organized on Facebook, Twitter and YouTube, those channels will be dead and new ones will be emerging. And so it begins all over again. Social media is not only used for personal uses but is now playing a growing role in business and organizations; with entrepreneurs increasingly looking towards social media platforms to market their businesses. It is evidently becoming the case that investment in social media “is a necessity, not a luxury”, it is a fundamental instrument which should be used in any marketing plan.

According to **Christy White**, chief of operations at Cogent Research, “There’s a danger to dismissing social media as too new, too emerging or too small to think about yet. Our study clearly shows that high net-worth investors have taken to social media in big numbers – and they are listening closely to what their peers have to say. Financial services firms that fail to keep up with, and engage in, this emerging media are basically putting the fate of their brand into the hands of consumers.” “Today’s companies can no longer sit on the sidelines when it comes to social media,” said White. “Purchasing decisions are being influenced by what investors are seeing on blogs, message boards and videos, and financial services companies will increasingly feel the impact on their bottom lines. The question firms should be asking is not “if,” but “how quickly” they can engage in social media.”

Literature Review

The most important and vital aspect of any study or research is initially explore all the facts and dependencies of pertaining topic, without in depth analysis of any issue one can never draw a conclusion. Initially, we have to understand that what variable influence or manipulate each and every individuals decision making in terms of investments using social media as a platform or investigating or collecting knowledge. There are n numbers of concerns or question which an individual has while investing money. Social media today is emerging as a very strong and useful source of information, it is definitely gaining more and more heat in the coming years. Today, all kinds of information is easily available on these social media platforms, but what we are trying to encapsulate is the fact that whether or not social media I playing a role in creating biases in the minds of the investors. From a policy perspective it is essential to identify both the individual and the external factors affecting consumers' decision-making. Where poor decisions are made as a result of lack of knowledge or information, then conventional educational campaigns, pre-contractual information and suitable advice could constitute an appropriate remedy. Where consumers' decision-making reflects certain behavioural "biases" (such as default bias, present bias, loss aversion, overconfidence, etc.), these aspects should also be taken into account when designing policy. According to the fourth Consumer Markets Scoreboard, retail financial services are one of the sectors characterised by substantial market malfunctioning. In particular, the 2010 Scoreboard shows that the market for ―investments, pensions and securities‖ ranks worst out of fifty consumer markets for overall market performance; worst for ease of comparing products and services sold by different suppliers; worst in trust that suppliers will respect consumer protection rules; fourth worst in experiencing problems. The Consumer Markets Scoreboard‖ 4th Edition – October 2010 Consumer Decision-Making in Retail Investment Services: A Behavioural Economics Perspective November 2010 14 worst for overall satisfaction. The financial environment has evolved so much that consumers are often ill-prepared to make sound decisions about increasingly complex retail financial products. The inability to benefit fully from this market is in part due to limited financial literacy or asymmetric information, but it may also be directly related to instincts driving consumers towards choices which are inconsistent with their long-term preferences. In addition, there may be an incompatibility between the incentives of some retail financial service providers and the interests of consumers. Recent evidence shows that consumers often have limited time to fully understand complex retail financial products. "Herding" instincts and over-reliance on experts' advice may also limit rational reflection. Finally, new policy developments also call for a more responsible role for retail financial services providers.

Any retail investor only looks for security of money which starts with the fact that he/she should an authentic source of information. A channel which one can count on helps him/her in wealth creation and future planning. While financial tips and advice are plentiful online, locating useful advice tailored to one's financial needs and risk tolerance is not always so easy. In fact, some of these seemingly helpful tips can be dangerous, says Bob Stammers, director of investor education at the CFA Institute. In the past, information had its own value, says Stammers, and the real skill was getting the information. Now, with the advent of the

Internet, it is really the skills that have changed. It is not a matter of whether you can find the information, it is a question of how does one parse the valuable information from the 'noise'. "The Internet is a great place for information, but on the other hand it is not a great place to get advice. When I say advice, I am really talking about a customized planning strategy that you would get – and that you should only get – from your investment advisor," he says. One big reason for this is because the information from social media sources is just too general for most people. "We try to tell people to stay away from any kind of social media advice. Where the Internet and social media can provide a lot of value is in getting facts and opinions or commentaries, not advice."

Objective

To understand the impact of social media on the biases of individual investors and decision making.

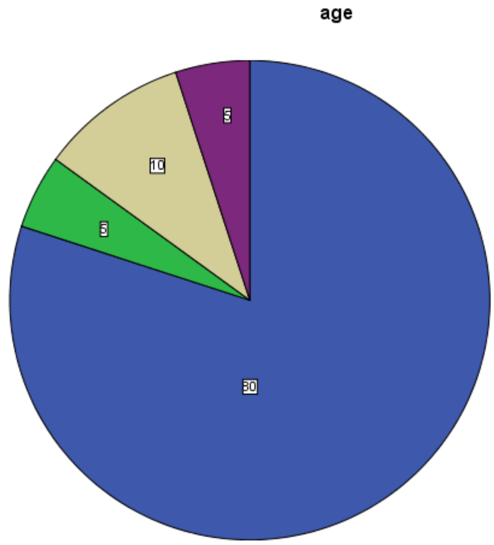
1) To understand and state whether social media is creating a sense of biases in the minds of the retail investors.
2) Study and learn different factors governing social media investment information and its effect on the investors.

Sample and Instrumentation

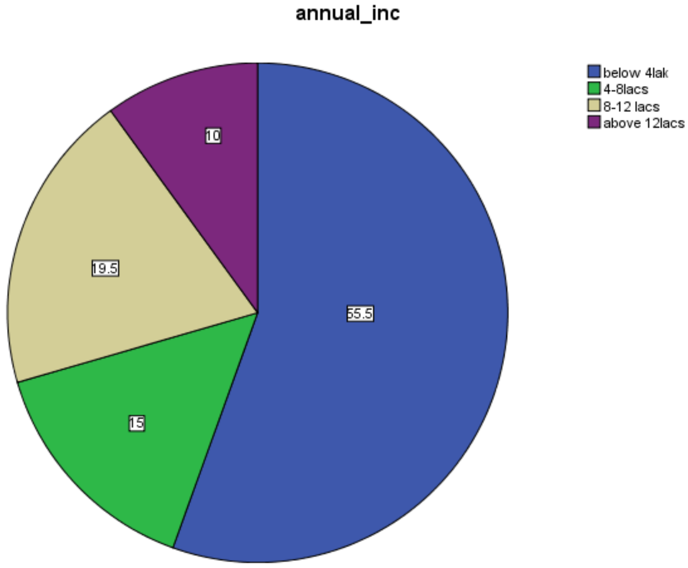
The questionnaire was shared with 250 prospective respondents who are retail investors and have a good experience in wealth creation and securities. Out of the 250 prospective respondents, 200 responses were received and study will be carried out the basis of 200 responses which were received. The first section of the instrument consist of demographic characteristics; gender, marital status, income, place, age. The second set of variables will measure the consumer behaviour and the decision making in terms of investments.

Data Analysis

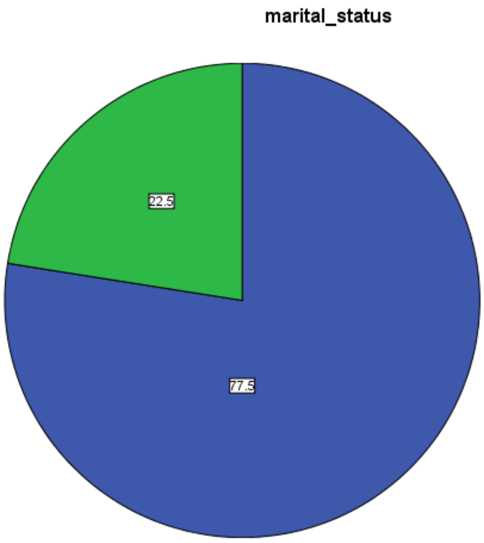
The Statistical Package for the Social Science (SPSS) for Microsoft Windows 20.00 was used to complete the analysis of the collected data. Descriptive statistics, including means, standard deviations were implemented in order to investigate the demographic data



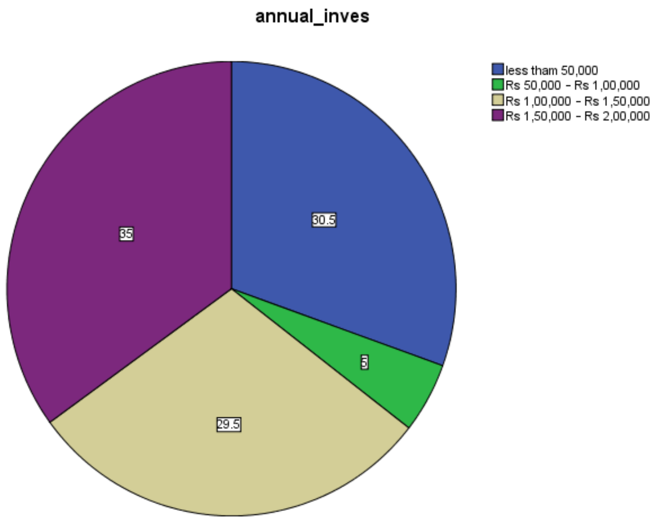
Majority of the respondents are young of age group of 80%.



Income is one of the important aspect of buying long term property. More of a respondents are having moderate income as below 4LPA. 15% & 20% respectively have high range of 4-8LPA & 8-12LPA respectively.

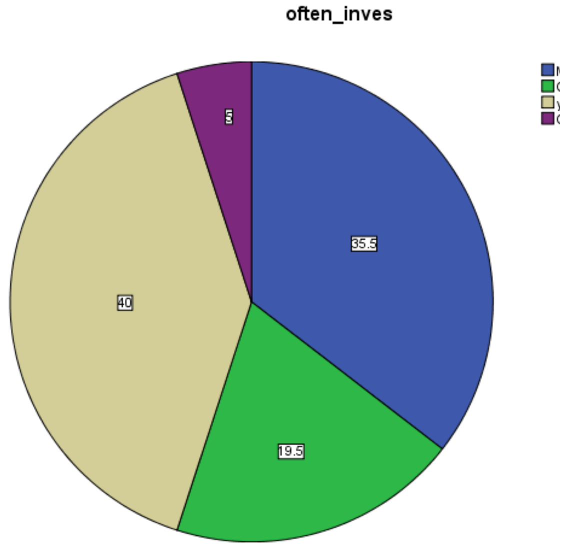


Majority of the respondents are young and Single as 77.5% are single.

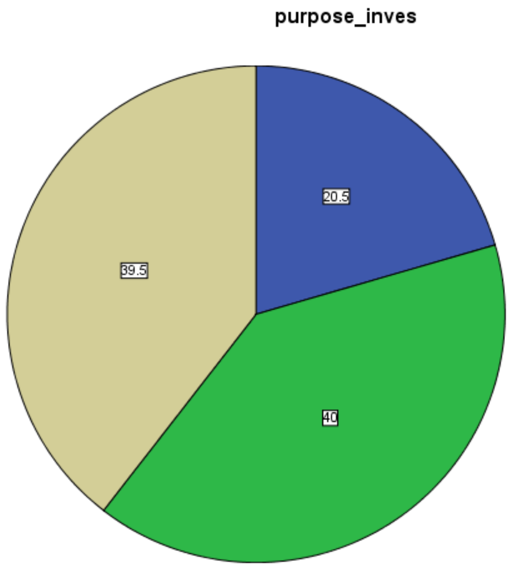


As considering the young investor with moderate income, annual investment is

31% below 50,000. 35% still invest high of 1.5L-2L from income.

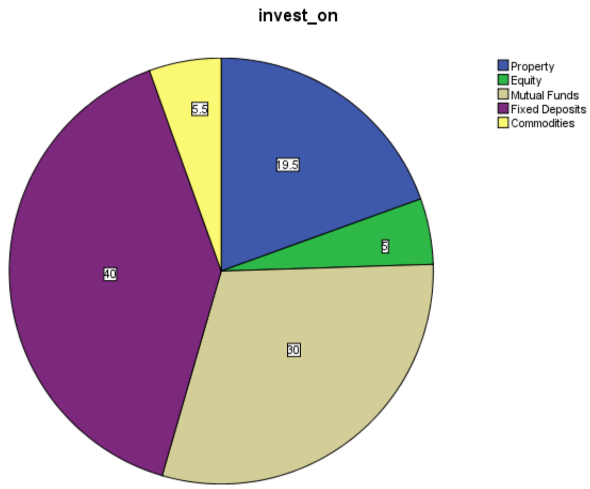


Broadly investment frame preferred is monthly & yearly as 40% & 36% approximately.

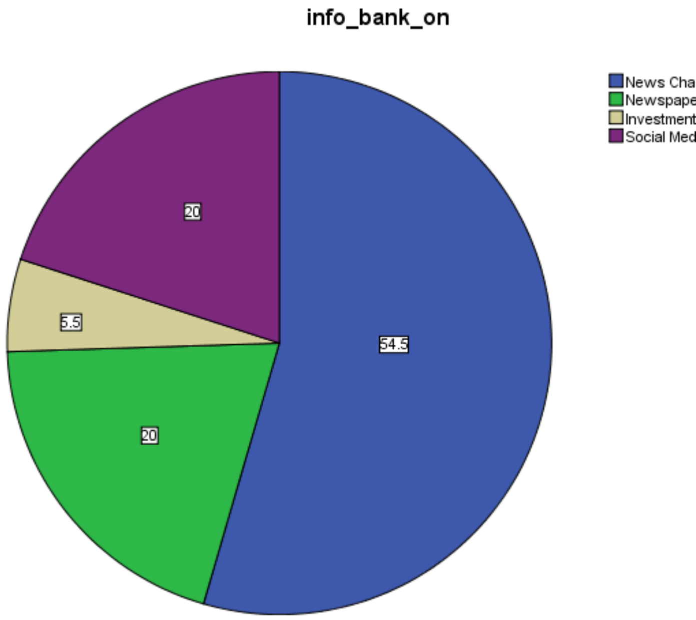


All the reasons of investment is popular as 40% investors invest to think about future

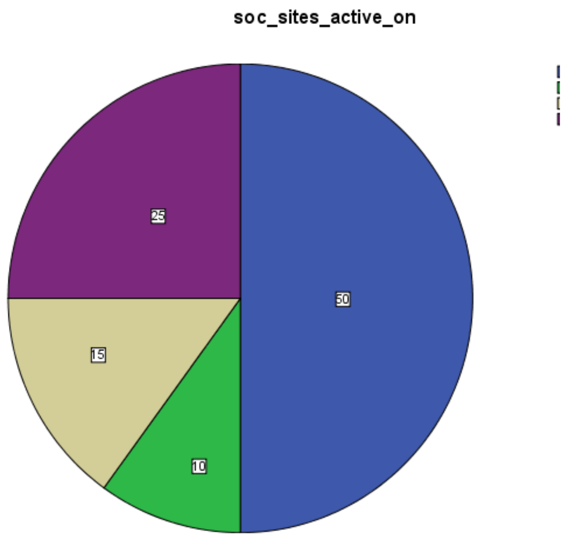
& considering both wealth creation & future planning both.



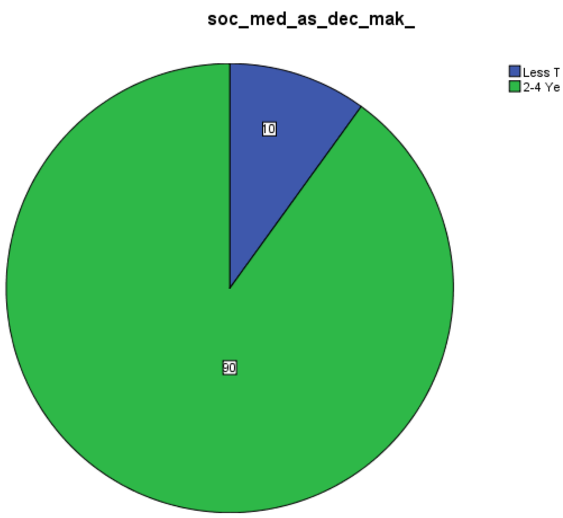
Still Fixed Deposit is have majority preference of 40% follow with mutual fund 30%. Investors are still in mind frame to take save investment with no risk or moderate risk.



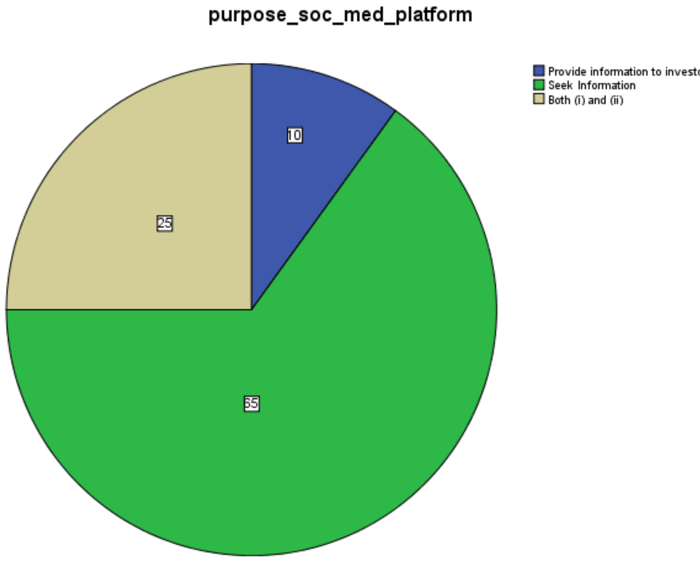
Mode of communication are many, News channel has higher effect 54.5%



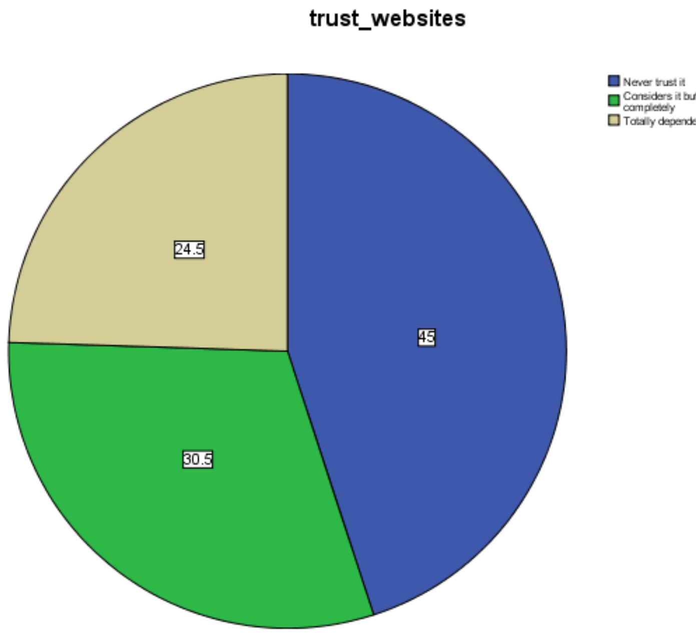
Social site activity is also increasing exponentially by Still facebook is leading with 50%



90% of the investors are experienced.

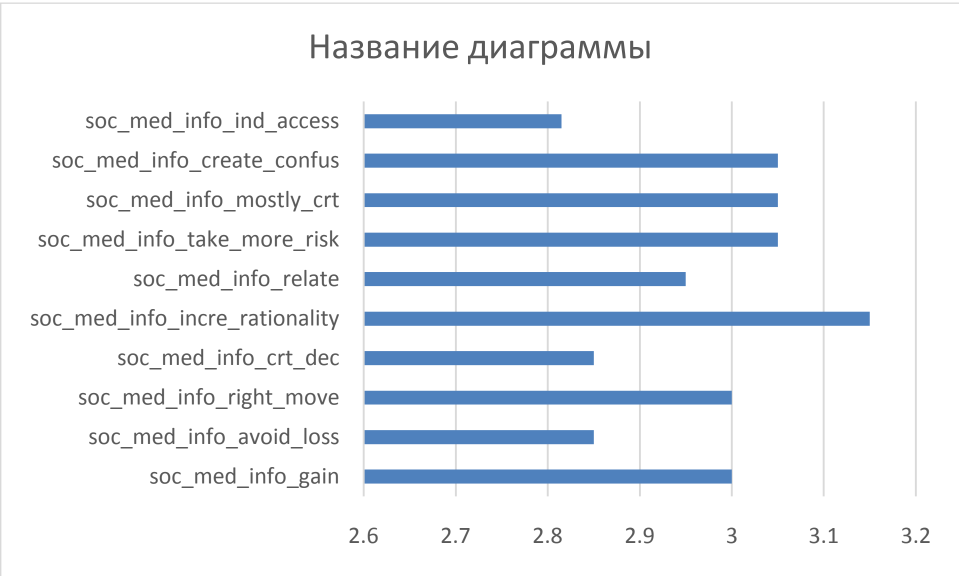


Seeking information is more popular with 55%. 255 investors are providing & seeking information.



Trust on information on social website is still need to improve as 45% people are still not comfortable to trust completely.

Authenticity of all the channels in social network are still not reach the threshold of acceptance. Print media, Real time website update, subscribed information & annual report is accepted by the investors.



Reasons for continuous transition from other media to social media access but still questionable on relying on the information due to various reasons like confusion, mostly critics for all views, increase risk & not finding rational.

Fact and Findings

- 80% of the respondents belong to the age group 20-29 years.
- 78% of them are single.
- The annual income of 56% of them is below 4 Lakhs and 20% of them have an annual income between 8 – 12L
- 35% of them invest rs 150000 – 200000 annually
- 40% of them invest yearly and 35% of them invest monthly
- 40% of them invest as a part of future planning and only 20% invest as a part of wealth creation
- Only 20% of people invest in property
- 55% of the people bank on information provided by news channels and only 20% on social media platforms amongst which 90% consider social media as a source for information for investment purposes for the past 2 – 4 years
- 42% access information through mobile apps
- 65% use social media platform to seek information
- 45% believe that information over social networks is misleading
- 45% believe that information over social network might help to avoid losses
- 45% of the respondents believe that social media platforms are not the future prospect for retail investors decision making

Conclusion

According to the survey in which 200 respondents participated it was observed that everyone do not trust the information provided on the social media websites rather they rely on other sources of information for investment decisions. Most of the respondents fall in the age group of 20-29 years. So their decisions varied a lot. By performing this survey it was observed that there are multiple factors which affect an individual's decisions while retail investing. It is derived that social media platforms are not the future of retail investments for decision making. 55% of the people bank on information provided by news channels and only 20% on social media platforms amongst which 90% consider social media as a source for information for investment purposes for the past 2 – 4 years. 40% of them invest as a part of future planning and only 20% invest as a part of wealth creation.

Future Scope

As per the findings after the thorough analysis it has been observed that majority of the respondents opt for investment advices through investment portals, business micro-blogs, newspapers, business channels and etc. rather than going for social media platforms for retail investment advices.

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