

A study on factors involving the usage of social media on investment decision making with reference to investors of selected stock broking houses in Coimbatore

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Abstract

Objectives: Nowadays, with the rise of social media, there is possible to get a faster, more talented way of gathering data to persuade investors' judgements. Hence, this study is trying to analyse the factors, namely Company news, Industry performance, Market updates, Economic factors and Investor sentiment which persuading the social media usage among the equity investors in Coimbatore District, Tami Nadu, India.

Research Methods: For this study, 100 investors who invest in the share market are selected by using stratified proportionate random sampling method. Self designed questionnaire is used to collect the primary data. The collected data has been evaluated with Percentage Analysis, Weighted Average Rank Analysis, Multiple Response Analysis, Correlation Analysis and Multiple Linear Regression Analysis.

Findings/Results: Out of the five independent variables, Company News, Economic Factors and Investor Sentiment have much influenced the dependent variable Investment decision making as it is statistically significant at the 5% level. Finally, the result of the study shows that social media helps to acquire timely information and gain knowledge which helps to formulate better decision by the investors.

Conclusion/Suggestions: Stock broking firms should take appropriate steps to improve the security system of social media to make investors use it effectively. This study helps the stock broker to make the valuable communication with investors, implementation of innovative technology and to promote other financial products.

Keywords: Social media, Share market, Equity investor, Investment decision making.

1. Introduction

Social media is a rising and emerging trend in the world today. Social media networking allows users to easily and quickly share the pictures, ideas, links and messages with other users. Social media is used by many fields like Education, Business and Organisations, Healthcare industry, Fashion industry, automotive industry, and Hotel industry and so on and nowadays Social media is booming in financial sector also. Hence, it is being used by investors for gathering and sharing the investment information for the better communication and for doing research. This study has tried to make out whether the investors have favored to use social media in comparison to traditional media and to know the investor's views on the opportunities and challenges of social media. Also, the factors involve in the social media usage among the equity investors in Coimbatore city.

In [1] studied about the factors influencing the performance of South Asia Stock market and the study focused on secondary data which was collected from the period of 1997 to 2010 of three South Asian countries (Pakistan, India and Sri Lanka). Macro economic variables like stock performance, foreign direct investment, inflation, interest rate and exchange rate were used to find out the connection between these key macro economic variables and South Asian stock market movements. They found that the exchange rate and foreign direct investment have significant and positive impact on performance of South Asian Stock Market.

In [2] studied about fundamental analysis of four automobile sector companies for predicting share price movements. The study found that the actual status, future plans of the organization, information which can affect buying decisions, etc. Moreover, the factors affecting movement in share prices namely, new information, psychological factors, uncertainty and supply and demand were analyzed. They concluded that company information and sentimental factors persuade the share price movements. In [3] studied about the effect of media on stock markets and also find out the influence of financial news and public emotions and sentiment on stock movements. They concluded that the media impact on firms fluctuates according to the nature of the firm, features and article content. In [4] examined that the usage of the social media in financial institutions and also found that what are the risks arrived when investors using social media in the financial services industry. In [5] identified the some factors affecting the stock price fluctuations in the Bangladesh stock market. For this study, they selected 5 core variables by performing data reduction technique named as factor analysis in SPSS. The five obtained factors are Company Performances, Industry Performance, Market Influences, Financial Considerations and Investor Decisions. Further, they made an effort to study about the effect of Earnings per Share (EPS) on stock price fluctuations. The result found that Earnings per share are greatly interconnected to stock price movements in this study.

In [6] investigated that the factors involving Investors' decisions and stock market investments in Bangladesh. Data was collected from 270 investors in Khulna city by using a structured questionnaire. Descriptive statistics and factor analysis were used to obtain the data analysis for the study. They found that the factors namely market, economic and hedging have a large influence on investment decision making. Moreover, corporate annual reports greatly influence the investors to make better investment decisions. In [7] attempted to study about the social media and consumer's decision making practice of Millennials. In this study explained that how social media helps the millennial consumers to make better decisions by considering research products/services on social media. In [8] studied about the connection between investor sentiment and stock returns in selected Asian markets. The Linear panel regression technique is used to examine the affiliation between investor sentiment and stock returns. The results of the research revealed that positive relationship between sentimental factors and stock market returns of all selected eight countries.

Table 1. Summary of different studies on factors affecting the share price movement over different period

Reference	Year	Factors
In ¹	2012	Foreign direct investment, Inflation, Interest rate and Exchange rate
In ²	2013	New information, uncertainty, psychological factors and supply and demand.
In ³	2014	Financial news and Public mood
In ⁵	2015	Company performances, Industry performances, Market influences, Financial considerations and Investor decisions.
In ⁶	2015	Market factors, Economic factors and Hedging factors
In ⁸	2017	Investor Sentiment

Based on the above reviews, it was observed that different authors used different factors to test the share price movements. Among them, the five factors, namely Company news, Industry performance, Market updates, Economic factors and Investor sentiment were selected to measure the decision making of the investors in this study as shown in Table 1.

2. Objectives of the study

1. To know whether the investors have intensity to use social media in comparison to traditional media
2. To identify the investor's views on the opportunities and challenges of social media
3. To study the factors involving the usage of social media on investment decision making among the investors

3. Research methodology

The research design of the study is descriptive. This study is based on the primary data. A self administered questionnaire used for the collection of primary data. Population constitutes all the investing public (equity investor) living in Coimbatore, Tamil Nadu. Stratified Proportionate Random Sampling Method is used for the collection of required number of samples of 100.

Table 2. Sample size

S.No.	Stock Broking Houses	Number of Active Investors	Sample Size
1	Way 2 Wealth Securities Ltd	890	21
2	Inditrade Capital Ltd	550	13
3	Motilal Oswal Securities Ltd	740	18
4	Karvy Stock Broking Ltd	2000	48
	Total	4180	100

Source: Stock Broking Houses, Coimbatore District (Unpublished)

Four stock broking houses in Coimbatore are selected for this study. Stratified proportionate random sampling method is adopted to select the respondents from each strata. Here strata represents stock broking firm. 2% of the respondents are selected from each strata. Hence, the sample size is 100 equity investors in Coimbatore District (Table 2).

Table 3. Socio-Economic profile of the respondents

S.No	Particulars	Frequency	Percentage
1	Gender		
	Male	69	69.0
	Female	31	31.0
	Total	100	
2	Age		
	Up to 30	30	30.0
	31 -40	54	54.0
	41 – 50	10	10.0
	Above 50	6	6.0
	Total	100	
3	Marital Status		
	Married	76	76.0
	Unmarried	24	24.0
	Total	100	
4	Education		
	Schooling	1	1.0
	Diploma	3	3.0
	Graduation	38	38.0
	Post graduation	42	42.0
	Professional	16	16.0
	Total	100	
5	Occupation		
	Salaried	74	74.0
	Business	10	10.0
	Professional	5	5.0
	Housewife	8	8.0
	Others	3	3.0
	Total	100	
6	Annual Income		
	Less than 2.5 lakhs	33	33.0
	2.5- 5 lakhs	37	37.0
	5 -7.5 lakhs	16	16.0
	More than 7.5 lakhs	14	14.0
	Total	100	

Source: Primary data

4. Analysis and Interpretation

Percentage Analysis, Weighted Average Analysis, Multiple Response Analysis, Correlation Analysis and Multiple Regression Analysis are the statistical tools used for data analysis with the help of the software Statistical Package for the Social Sciences (SPSS) Version 21.

4.1. Socio - Economic profile of the respondents

Percentage analysis has been used to analyze the socio-economic profile of the respondents and the results are shown in Table 3.

From the analysis, it can be observed that 69% of the respondents belong to male, 54% of the respondents are in the age group of 31-40 years, 76% of the respondents are married, 42% of the respondents are completed their post graduation, 74% of the respondents are salaried persons, 37% of the respondents having the annual income of 2.5 lakhs to 5 lakhs.

4.2. Category of investor

Category of Investor has been identified with the help of multiple response analysis and it is tabulated in Table 4.

Table 4. Category of investor

	Responses	
	N	Percent
Long term investor	61	48.8
Short term investor	49	39.2
Day trader	15	12.0

Source: Primary data

This analysis implies that, 48.8% of the respondents are a long term investor, 39.2% of the respondents are a short term investor and 12.0% of the respondents are a day trader in this study.

4.3. Sources of investment information

The analysis found that, 20.1% of the investors using the internet as a main source of getting investment related information, 18% of the investors using the advice of stock broker and 14.4% of the investors using TV as the source of investment related information as shown in Table 5.

Table 5. Sources of investment related information

Particulars	Responses	
	N	Percent
Newspaper	38	13.4
Magazines	17	6.0
TV	41	14.4
Internet	57	20.1
Stock broker	51	18.0
Social media	35	12.3
Friends and Relatives	37	13.0
Others	8	2.8

Source: Primary data

4.4. Intensity to use social media in contrast with traditional media

The investors are inquired to give their intensity to use social media in contrast with traditional media, weighted average analysis used (Table 6). The first three selected ranks by the respondents- as the main reasons, the investor's preference towards social media in distinction to traditional media.

Table 6. Intensity to use social media in contrast with traditional media

Particulars	Total	Rank
Gather information in a short period of time	422	1
Enable me to get information at any time and any place	419	2
Information search through social media is easier than traditional media	414	3

4.5. Challenges and opportunities of social media

The following Tables 7 and 8 shows that the first three selected ranks by the respondents while analyzing the challenges and opportunities of social media.

Table 7. Challenges

Particulars	Total	Rank
Lack of appropriate security system in social media	505	1
Possible leakage of investor's personal information	482	2
Inflexibility of stock broking firms in adopting technology	449	3

Table 8. Opportunities

Particulars	Total	Rank
To acquire timely information	550	1
To gain knowledge	543	2
To get awareness of new technologies	535	3

4.6. Correlation analysis

To find the affiliation between the independent variables, namely Company News (CN), Industry Performance (IP), Market Updates (MU), Economic Factors (EF), Investor Sentiment (IS) and the dependent variable Investment Decision Making (IDM), correlation analysis was used.

Table 9. Correlation analysis

	CN	IP	MU	EF	IS	IDM
Company News	1					
Industry Performance	.728"	1				
Market Updates	.543"	.583"	1			
Economic Factors	.617"	.656"	.637"	1		
Investor Sentiment	.374"	.410"	.344"	.496"	1	
Investment Decision Making	.576"	.515"	.393"	.545"	.560"	1

Among the variables considered, highest correlation exists between Industry Performance and Company News ($r=0.728$, $p<0.000$), followed by an association between Economic Factors and Industry performance ($r=0.656$, $p<0.000$) and followed by association between Economic Factors and Company News ($r=0.617$, $p<0.000$). Further, there is positive correlation between all the variables, namely Company News (CN), Industry Performance (IP), Market Updates (MU), Economic Factors (EF), Investor Sentiment (IS) and the dependent variable Investment Decision Making (IDM), which is significant at the 1% level as shown in Table 9.

4.7. Multiple regression analysis

The factor Investment Decision Making was considered as dependent variable and Company News (CN), Industry Performance (IP), Market Updates (MU), Economic Factors (EF), Investor Sentiment (IS) was considered as independent variables while performing multiple regression analysis.

Table 10 provides the R and R^2 values. The R value is a simple correlation and is 0.695 (the "R" Column), which specifies a high degree of correlation. The R^2 value is 0.484 which implies that the independent variables, namely Company News, Industry Performance, Market Updates, Economic Factors, and Investor Sentiment influence the dependent variable Investment decision making.

Table 10. Multiple regression analysis

R-Value	R Square	Adjusted R Square
.695 ^a	.484	.470

Predictors: (Constant), CN, IP, MU, EF, IS

Dependent Variable: IDM

S.No.	Particulars	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		(B)	Std. Error	Beta		
	(Constant)	.506	.282		1.794	.074
1	Company News	.326	.077	.333	4.247	.000
2	Industry Performance	.053	.092	.047	.574	.567
3	Market Updates	-.040	.078	-.036	-.516	.607
4	Economic Factors	.176	.089	.157	1.973	.048
5	Investor Sentiment	.356	.061	.350	5.870	.000

a. Dependent Variable: Investment Decision Making

In this case, 48.4% can be explained and it indicates that the multiple regression models are found to be statistically good fit as R^2 is 0.484. From the Table 10, it is observed that out of the five independent variables, Company News, Economic Factors and Investor Sentiment are the variables that have influenced the dependent variable Investment decision making as it is statistically significant at the 5 % level.

5. Findings and Suggestions

The outcome of the correlation analysis is: there is a highest positive correlation between the Industry Performance and Company News ($r=0.728$, $p<0.000$), followed by an association between Economic Factors and Industry performance ($r=0.656$, $p<0.000$) and followed by association between Economic Factors and Company News ($r=0.617$, $p<0.000$). From the multiple regression analysis, it is observed that the variables, namely Company News, Economic Factors and Investor Sentiment highly persuade the dependent variable, namely Investment decision making and it is significant at the 5 % level. But Industry Performance and Market updates do not highly influence to the dependent variable of Investment decision making since the p value is not significant at the 5% level. Through using social media, it is observed that investors are often gathering the information on the above said three variables, by considering this stock broker firm can use to publish more authenticate and reliable information in these subjects to reach more investors and the expansion of the stock broking firms can be increased rapidly. And in the same time it will help the investors make better investment decisions. Moreover, Stock broking firms must take precise steps to improve the security system of social media to make equity investors use this tool effectively.

6. Conclusion

To compete in this competitive world, each and every institution has to adapt the new technologies and also should recognize the changes to the presented technology by performing the research. The study revealed that the awareness level of investors in relation to social media is high. The study also looks at the impact of social media factors like company news, industry performance, market updates, economic factors and investor sentiment on investment decision making. With that, three variables, namely Company News, Economic Factors and Investor Sentiment highly persuade on Investment decision making. Hence, it is necessary to publish more validate and reliable information regarding these subjects by stock broker to reach more investors.

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