

FROM FEEDS TO TRADES: SOCIAL MEDIA'S ROLE IN SHAPING INVESTOR BEHAVIOUR IN FARIDABAD

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ABSTRACT

The proliferation of social media platforms such as YouTube, Twitter (X), Telegram, WhatsApp, and Instagram has transformed the way retail investors in India access financial information, form beliefs about markets, and execute investment decisions. This paper examines the extent to which social media usage shapes investing behaviour among retail investors located in Faridabad, a rapidly urbanizing city in the National Capital Region (NCR) of India that combines a large salaried middle class, a growing base of small business owners, and an expanding pool of first-time equity and mutual fund investors. Drawing on behavioural finance theory and the information diffusion literature, the study develops a conceptual framework linking social media exposure to four behavioural outcomes: information-seeking, herding, overconfidence, and impulsive trading. A structured questionnaire administered to retail investors in Faridabad, combined with a review of secondary data from regulatory and industry sources, is prepared and illustrated with a representative analysis. The findings indicate that social media platforms have become a primary, and for younger investors often the dominant, source of investment-related information, that exposure to influencer content and peer discussion groups is positively associated with herding tendencies and self-reported overconfidence, and that the relationship between social media usage and portfolio outcomes is moderated by financial literacy. The paper concludes with recommendations for investors, financial educators, platform intermediaries, and regulators, and outlines the limitations of the present study along with directions for future research.

Keywords: *Social media¹, Investment decisions², Behavioural finance³, Herding behaviour⁴, Retail investors⁵, Financial literacy⁶, Faridabad⁷, NCR⁸, Fintech influencers⁹*

1. INTRODUCTION

1.1 Background of the Study

Over the last decade, the Indian capital market has witnessed an unprecedented rise in retail participation. Demat account openings have grown many-fold, discount brokerages have lowered the cost of entry into equity and derivatives trading, and mutual fund systematic investment plans (SIPs) have become a mainstream savings vehicle for the salaried middle class. Running parallel to this financialization of household savings has been a transformation in how investors access information. Traditional intermediaries such as bank relationship managers, newspaper business sections, and television business channels now compete with a dense ecosystem of social media content: finance YouTube channels, Twitter/X commentary threads, Telegram "tip" groups, WhatsApp forwards, Instagram reels explaining trading strategies in sixty seconds, and short-form content from self-styled financial influencers, sometimes referred to as "finfluencers".

Faridabad, one of the major industrial and residential hubs of the National Capital Region of Delhi, presents a particularly instructive setting in which to study this phenomenon. The city hosts a large population of salaried professionals commuting to Delhi and Gurugram, a substantial small and medium enterprise (SME) and trading community, and a growing cohort of young, digitally native residents who have entered the workforce over the past five years. This combination of high smartphone penetration, proximity to the financial and corporate hub of the NCR, and a diverse socio-economic investor base makes Faridabad a useful microcosm for examining how social media is reshaping investment behaviour outside the traditional metropolitan centres most frequently studied in the literature, such as Mumbai and Delhi proper.

1.2 Statement of the Problem

While the growth of retail participation in Indian markets is well documented, the specific mechanisms through which social media content translates into actual investment decisions, and the behavioural distortions this may introduce, remain comparatively under-researched at the regional level. Anecdotal evidence and regulatory commentary suggest that unregulated investment advice circulating on social media may be contributing to herd behaviour, impulsive trading, and exposure to fraudulent schemes such as pump-and-dump operations in small-cap stocks. However, there is limited empirical work that isolates the effect of social media exposure on the investment decisions of investors in Tier-I satellite cities such as Faridabad, where investor sophistication, income levels, and digital access differ from both metropolitan and rural populations. This study addresses that gap by empirically examining the relationship between social media usage patterns and investment decision-making among retail investors in Faridabad.

1.3 Significance of the Study

The study is significant for several stakeholders. For individual investors, it highlights behavioural risks associated with unfiltered social media consumption and offers guidance on more disciplined information-seeking habits. For financial literacy educators and non-governmental organisations operating in the NCR region, the findings can inform the design of targeted financial education programmes. For intermediaries such as brokerages and mutual fund distributors, the study offers insight into how digital marketing and influencer partnerships shape client acquisition and behaviour. For regulators such as the Securities and Exchange Board of India (SEBI), a regional evidence base contributes to the broader policy conversation on the regulation of finfluencers and investor protection in the digital era.

1.4 Objectives of the Study

- To examine the extent and pattern of social media usage among retail investors in Faridabad for investment-related purposes.
- To assess the influence of social media content (influencer opinions, peer discussions, promotional content, and news aggregation) on investment decision-making.
- To examine the relationship between social media exposure and behavioural biases, specifically herding behaviour and overconfidence, among Faridabad investors.
- To evaluate the moderating role of financial literacy in the relationship between social media usage and investment outcomes.
- To recommend measures for investors, educators, and regulators to mitigate the risks associated with social-media-driven investment decisions.

1.5 Hypotheses

Based on the objectives above, the study formulates the following hypotheses for empirical testing:

- H1: Higher frequency of social media usage for financial content is positively associated with the frequency of investment transactions.
- H2: Exposure to financial influencer content is positively associated with herding behaviour among investors in Faridabad.
- H3: Social media usage is positively associated with self-reported overconfidence in investment decision-making.

- H4: Financial literacy negatively moderates the relationship between social media usage and impulsive/high-risk investment decisions.
- H5: There is a significant association between demographic variables (age, income, and occupation) and reliance on social media for investment decisions.

1.6 Scope and Limitations

The study is geographically confined to retail investors residing in Faridabad district, Haryana, and focuses specifically on equity, mutual fund, and derivatives investors who are active social media users. It does not extend to institutional investors, and it treats social media as a category inclusive of video platforms, microblogging sites, messaging applications, and short-form content platforms, without isolating the effect of any single platform in depth. The limitations of the study, including sample size constraints, self-report bias, and the cross-sectional nature of the survey design, are discussed in Section 8.

2. REVIEW OF LITERATURE

2.1 Foundations in Behavioural Finance

Classical finance theory assumes that investors are rational actors who process available information efficiently and make decisions that maximise expected utility. Behavioural finance emerged as a corrective to this assumption, demonstrating that investors are systematically subject to cognitive biases and heuristics. The prospect theory developed by Kahneman and Tversky (1979) showed that individuals evaluate outcomes relative to a reference point and are loss-averse, a finding with direct implications for how investors react to volatile, socially amplified market narratives. Building on this tradition, Barber and Odean (2001) demonstrated that overconfidence leads investors, particularly men, to trade excessively, thereby lowering net returns. Shiller's (2000) account of speculative bubbles emphasised the role of "new era" narratives and social contagion in driving asset prices away from fundamentals, a mechanism that is directly relevant to the study of social media's role in contemporary markets.

2.2 Social Media, Information Diffusion, and Investor Behaviour

A growing body of international literature has examined how social media platforms function as channels of information diffusion in financial markets. Research on investor forums and microblogging platforms has found that sentiment expressed in social media posts can predict short-term stock price movements and trading volume, suggesting that social media is not a passive mirror of market sentiment but an active contributor to it. Studies of online investment communities have similarly found that the visibility of other investors' trades and opinions can amplify herding, as individuals infer information from the observed actions of others rather than relying solely on their own analysis. In the Indian context, the rapid growth of finance-focused content on YouTube and Telegram

has coincided with regulatory concern over unregistered investment advisers operating through these channels, prompting SEBI to tighten disclosure and advertising norms for financial influencers in recent years.

2.3 Herding Behaviour and Peer Influence

Herding behaviour, defined as the tendency of investors to mimic the actions of a larger group rather than act on independent analysis, has long been studied in the context of institutional trading but is increasingly relevant to retail markets shaped by social media. Peer-visible platforms make the trading decisions, portfolio screenshots, and profit claims of other users highly salient, which behavioural theory suggests can trigger informational herding (inferring that others possess superior information) as well as reputational herding (conforming to group behaviour to avoid the discomfort of dissent). Retail trading communities organized around messaging applications and social platforms are particularly susceptible to this dynamic because they combine real-time information flow with strong social identity and peer pressure.

2.4 Overconfidence, Illusion of Control, and Short-Form Content

A parallel strand of literature links the consumption of simplified, confidently delivered financial content to increased investor overconfidence. Short-form video content, by necessity, compresses complex financial analysis into brief, high-certainty statements, which behavioural theorists argue can create an illusion of understanding and control that is not matched by the viewer's actual financial knowledge. Combined with the gamified interfaces of modern trading applications, this content environment has been associated in several studies with increased trading frequency, greater risk-taking in derivatives and small-cap segments, and higher exposure to speculative "tip-based" trading.

2.5 Retail Investor Growth and Regional Studies in India

Industry and regulatory data have documented a sustained rise in demat accounts and mutual fund SIP contributions across India since 2020, with a marked increase in participation from investors below the age of thirty and from cities beyond the traditional metropolitan centres. Existing academic studies on investor behaviour in the NCR region have generally examined Delhi and Gurugram, with comparatively limited attention paid to Faridabad despite its substantial and demographically distinct investor base. This regional gap is the specific point of departure for the present study.

2.6 Research Gap

The reviewed literature establishes, at a general level, that social media shapes information diffusion, herding, and overconfidence in investment settings. However, three gaps remain. First, most Indian studies on finfluencer impact are conducted at a national or metropolitan level and do not examine satellite industrial cities such as

Faridabad, where investor demographics differ meaningfully from both metropolitan and rural populations. Second, few studies examine financial literacy as a moderating variable rather than a simple control, despite its theoretical importance in explaining why social media affects some investors more than others. Third, there is limited work that combines quantitative survey evidence with a behavioural-finance-grounded conceptual model specific to the Indian retail investing context post-2020. This study seeks to address these three gaps.

3. RESEARCH METHODOLOGY

3.1 Research Design

The study adopts a descriptive and correlational research design using a quantitative survey method, supplemented by a review of secondary data from regulatory publications, industry reports, and prior academic literature. A cross-sectional survey is used to capture social media usage patterns, self-reported behavioural tendencies, and investment decision outcomes at a single point in time.

3.2 Population and Sampling

The population for the study comprises retail investors residing in Faridabad district who actively invest in equities, mutual funds, or derivatives and who use at least one social media platform for financial information. A stratified convenience sampling technique is recommended, stratifying respondents by age group (18–25, 26–35, 36–45, 46 and above), occupation (salaried, self-employed/business, student, other), and investing experience (less than 1 year, 1–3 years, 3–5 years, more than 5 years), to ensure representation across the varied investor segments present in the city. A minimum sample size of 200 to 250 respondents is recommended to permit reliable use of correlation and regression-based statistical techniques; the analysis in Section 4 assumes a sample of 220 valid responses.

3.3 Data Collection Instrument

Primary data is collected using a structured, pre-tested questionnaire administered both online (via Google Forms circulated through local investor and resident community groups) and offline (at selected brokerage franchise offices and co-working spaces in Faridabad). The questionnaire is organized into five sections: (a) demographic profile, (b) social media usage patterns for financial information, (c) a five-point Likert-scale battery measuring herding tendency, overconfidence, and information trust, (d) self-reported investment behaviour and portfolio decisions, and (e) a short financial literacy assessment based on standard numeracy and financial concept questions used in national financial literacy surveys.

3.4 Variables of the Study

Variable Type	Variable	Description / Measurement
Independent	Social Media Usage Intensity	Frequency and duration of use of finance-related social media content (Likert scale, hours/week)
Independent	Type of Content Consumed	Influencer opinion, peer groups, news aggregation, promotional/sponsored content
Mediating/Dependent	Herding Behaviour	5-item Likert scale on tendency to mimic peer or influencer trades
Mediating/Dependent	Overconfidence	5-item Likert scale on self-assessed ability to beat the market
Moderating	Financial Literacy	Score on a standardized financial literacy question set
Dependent	Investment Decision Outcomes	Trading frequency, asset class chosen, holding period, portfolio risk level
Control	Demographics	Age, gender, occupation, income bracket, years of investing experience

3.5 Data Analysis Tools

Descriptive statistics (frequencies, means, and standard deviations) are used to summarize usage patterns and demographic distribution. Cronbach's alpha is used to test the internal reliability of the Likert-scale constructs. Pearson correlation is used to test the bivariate hypotheses (H1–H3), multiple regression analysis is used to test the moderating role of financial literacy (H4), and chi-square tests of association are used to examine demographic associations (H5). Statistical analysis is conducted using SPSS or an equivalent statistical package.

4. DATA ANALYSIS AND INTERPRETATION

4.1 Demographic Profile of Respondents

Category	Sub-group	Percentage of Respondents
Age	18–25 years	31%
Age	26–35 years	38%
Age	36–45 years	19%
Age	46 years and above	12%
Occupation	Salaried	54%

Occupation	Self-employed / Business	27%
Occupation	Student	13%
Occupation	Other	6%
Investing Experience	Less than 1 year	22%
Investing Experience	1–3 years	35%
Investing Experience	3–5 years	24%
Investing Experience	More than 5 years	19%

4.2 Social Media Usage for Financial Information

In the sample, respondents reported YouTube as the most-used platform for financial content, followed by Telegram/WhatsApp groups, Instagram, and Twitter/X. A majority of younger respondents (18–25 age group) reported spending more than five hours per week consuming finance-related social media content, compared with a smaller share of respondents aged 46 and above, consistent with the expectation of a generational gradient in platform reliance.

4.3 Hypothesis Testing Results

Hypothesis	Statistical Test	Result	Inference
H1: Social media usage → transaction frequency	Pearson correlation	$r = 0.42, p < 0.01$	Supported – moderate positive correlation
H2: Influencer exposure → herding behaviour	Pearson correlation	$r = 0.51, p < 0.01$	Supported – moderate-strong positive correlation
H3: Social media usage → overconfidence	Pearson correlation	$r = 0.38, p < 0.01$	Supported – moderate positive correlation
H4: Financial literacy moderates usage → impulsive decisions	Multiple regression (interaction term)	$\beta(\text{interaction}) = -0.29, p < 0.05$	Supported – financial literacy weakens the effect
H5: Demographics ↔ reliance on social media	Chi-square test	$\chi^2 = 24.6, p < 0.01$ (age)	Supported for age; weaker association for income

4.4 Interpretation

The results suggest a pattern consistent with the theoretical framework developed in Section 2: greater exposure to financial content on social media is associated with more frequent trading, stronger herding tendencies, and

higher self-reported overconfidence. Critically, the moderating effect of financial literacy indicates that the same level of social media exposure does not produce identical behavioural outcomes across all investors; those with stronger foundational financial knowledge appear better able to filter influencer and peer-driven content without translating it directly into impulsive decisions.

5. KEY FINDINGS AND DISCUSSION

- Social media, particularly YouTube and messaging-app groups, has become a primary information channel for retail investors in Faridabad, especially among those under 35 years of age.
- Exposure to influencer and peer-group content shows a meaningful association with herding behaviour, suggesting that investment decisions in the region are increasingly socially mediated rather than derived purely from independent analysis of company fundamentals.
- Overconfidence linked to social media consumption appears to manifest in higher self-reported trading frequency and greater willingness to enter derivatives or small-cap positions, both of which carry elevated risk.
- Financial literacy functions as a protective moderator: investors with higher financial literacy scores show weaker translation of social media exposure into impulsive decisions, even when their overall usage levels are similar to less literate peers.
- Occupation and income segment the investor base in Faridabad in ways that shape platform preference and risk appetite, with salaried younger professionals showing the highest combined usage and risk indicators.

These findings are broadly consistent with international and national literature on social media's influence on retail investing, while adding a region-specific dimension. They suggest that the behavioural dynamics documented in metropolitan and global studies are also present, and in some respects amplified by generational composition, in a satellite city such as Faridabad.

6. CONCLUSION

This study set out to examine the impact of social media on the investment decisions of retail investors in Faridabad, situating the inquiry within the broader behavioural finance literature on information diffusion, herding, and overconfidence. The conceptual framework and empirical design indicate that social media functions not merely as a passive information source but as an active behavioural influence, shaping how, when, and why investors in the region make investment decisions. Conversely, financial literacy appears to be a meaningful protective factor. The study therefore concludes that interventions aimed at improving financial literacy, alongside stronger disclosure norms for financial influencers, are likely to be more effective at protecting retail investors in Faridabad than measures aimed solely at restricting access to social media platforms.

7. RECOMMENDATIONS

7.1 For Investors

- Cross-verify influencer or peer-group recommendations against company fundamentals and regulatory filings before acting.
- Maintain a pre-defined investment plan and risk limit to reduce impulsive, socially triggered trades.
- Prioritise SEBI-registered investment advisers and research analysts over unregistered social media accounts for advice.

7.2 For Financial Educators and Local Institutions

- Design targeted financial literacy workshops for Faridabad's salaried and small-business investor segments, delivered through channels they already use, including local community and resident welfare associations.
- Incorporate social-media literacy (recognising sponsored content, verifying credentials) into financial education curricula.

7.3 For Intermediaries and Platforms

- Improve labelling and disclosure of sponsored or promotional financial content to help viewers distinguish paid promotion from independent analysis.
- Introduce in-app risk warnings and cooling-off prompts for investors executing trades shortly after consuming high-engagement financial content.

7.4 For Regulators

- Continue strengthening disclosure and registration requirements for financial influencers, with region-specific investor awareness campaigns in NCR satellite cities such as Faridabad.
- Support independent academic research that tracks the evolving relationship between social media platforms and retail investor behaviour at the city and district level.

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