
Adoption of Social Media in Investment Decision At Stock Market: A Qualitative Analysis Among Nepali Investors

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ABSTRACT

The importance of social media has increased among investors due to the instant availability of information on a real-time basis. The adoption of social media even increased heavily during the COVID-19 pandemic. The reliability of the posts related to the stock market is the concern; nevertheless, follow them to track the stock market trend. The Nepalese stock market investors found to follow the posts, opinions, and views on social media but are reluctant to follow blindly. Similarly, the Nepalese investors have partial faith in the specialized group formed on social media, and found to be attached to the group to get information. But the investors filter the information as per their knowledge and necessity.

Keywords: Social media, stock market, investors, opinion, Nepal.

1. Background

Social media cannot be understood without first defining Web 2.0: a term that describes a new way in which end users use the World Wide Web, a place where content is continuously altered by all operators in a sharing and collaborative way (Kaplan & Haenlein 2010). It is much more to do with what people are doing with the technology than the technology itself, for rather than merely retrieving information, users are now creating and consuming it, and hence adding value to the websites that permit them to do so. Web 2.0 has evolved from simple information retrieval to interactivity, interoperability, and collaboration (Campbell et al. 2011). Kaplan and Haenlein (2010) define social media as a group of Internet based applications that build on the ideological and technological foundations of Web 2.0, and allow the creation and exchange of user generated content.

Social Media has become a part of the life in the modern world. Hence, investors are also relying in information available at the various types of social media. In context to the feeds tweeted at Twitter, Bollen et al. (2011) studied whether the Twitter feeds influence in investors' behavior and mood in an investment decision process, where the paper concluded that the accuracy of DJIA predictions can be significantly improved by the inclusion of specific public mood dimensions but not others. The paper also found high level accuracy in predicting the daily up and down changes in the closing values of the DJIA and a reduction of the Mean Average Percentage Error (MAPE).

Hazari and Richards (2011) followed a qualitative inductive approach to get an insight on adoption of social media in personal investing, where the researchers found demographics, geographical location, and socio economic background, as well as multiple sources of data available at social media directly or indirectly influence in investment decision making process.

Devi and Bhaskaran (2015) found that the posted sentiments on social media sentiments had casual relationship with the investment decision of Indian investors. The paper concluded that sentiment analysis along with wisdom of crowds can automatically compute the collective intelligence of future performance in the stock market.

Ismail et al. (2018) studied impacts of social media on investment decision among the Malaysian investors,

where they found that that the firm's image and quality of information uploaded in social media have a significant impact while the buying behavior or investor's investment behavior had no significant impact in an investment decision process.

Mistri and Japee (2020) found that investors from Gujarat, India whose age group is between 41 to 50 years having maximum experience i.e. around 15 years experience while respondents whose age is 60 or above are not having much experience about investment through social media platforms. The study also found that the respondents whose age between 41 to 50 year using social media apps frequently while respondents whose age is 60 or 64 above are using social media apps occasionally.

Tandon and Jain (2021) analyzed an impact of social media on investment decision among the young adults, where they found that the respondents agreed that they use social media to enhance new skills to handle personal investment portfolio. In case of Amman Financial Market, Atoom et al. (2021) found that the most of the investors relied on opinions, comments, and advice posted on Face book regarding investment decision-making.

Guan et al. (2022) found that market sentiments towards the pandemic have significantly impacted the price differences. More interestingly, the stock performance across sectors is characterized by the level of digital intensity, with the most digitally advanced sectors demonstrating resilience against negative market sentiments on the pandemic.

In context to Nepal also, Nepalese investors have become toxic towards the posts of social media regarding the stock market. The investors have developed a group to interact with each other and share information related to the stock market. Nevertheless, the number of social groups and their followers has increase; there has been an issue of credibility of the information. In this context, the paper tries to build generalized opinions of Nepalese investors on the adoption of social media in investment decision at stock market.

II. Methodology

The paper has followed a concept of grounded theory where a researcher derives a general, abstract theory of a process, action, or interaction grounded in the view of participants. The multistage of data collection and interrelationship of categories of information involves in the research process.

The paper has been done in a friendly interaction setting of group of two to three investors at a time with the researchers. The informants or interviewees for the paper are the Nepalese investors who are also active in the social media. The interactions with interviewees took place at two main cities of Nepal, namely; Kathmandu and Chitwan.

The theoretical saturation sampling technique (Strauss & Corbin, 1998) has been followed to ensure the interviewees who had participated for the paper had adequate experience on the subject matter.

The steps of coding text, memoing and theorizing has been followed to integrate, refine and write-up the theories as defined by Glaser and Strauss (1967). Similarly, the paper transcript checking and member checking were conducted to maintain reliability and validity of the results.

III. Result And Discussion

The section is divided into two sections, namely; the first covers the interviewee's profile and the second covers the theme-based analysis.

Table 1: Interviewees' Profile

Interviewee	Sex	Age	Investment Experience	Frequency of Using Social Media
PB-1	M	Below 25 years	2 years	High
OK-2	M	25-35	3 years	Frequently
NB-3	M	25-35	5 years	High
RA-4	M	Below 25 years	3 years	Daily
RC-5	M	45-55	5 years	Sometimes
BS-6	M	45-55	4 years	High
SP-7	M	25-35	4 years	Moderate
SB-8	M	25-35	1 year	Frequently
GB-9	F	25-35	1 year	Frequently
BS-10	M	Below 25 years	2 years	Frequently
IS-11	M	35-45	10 years	Frequently
SP-12	M	35-45	8 years	Frequently
VK-13	M	25-35	1 years	Quiet Often
NC-14	M	25-35	2 years	Quiet Often
TM-15	F	25-35	7 years	Quiet Often

Source: Interview

Table 1 elaborates the profile of 15 interviewees who participate in the interview. Of the fifteen (15) interviewees, only two (2) are female investors, and remaining are male investors. Most of the interviewees stated that the frequency of visiting social media is frequent having an investment experience from one year to a decade of experience.

Theme I: Trust on Post related to Stock Market on Social Media

Tham (2018) summarized that there is a correlation between stock market participation rate and this trust is not 'blind', but households still make decisions to invest according to prevailing news headlines available on social-media platforms. Doğan et al. (2020) found that without noise reduction, it was not possible to establish a correlation on individual tweets and their effects on the stock market and it was not possible to establish a correlation between the number of tweets and the volume of companies. The paper found that only the speculators and influencers were seen making profit by manipulating information through social media. In context to Nepalese investors, it was found that most of them do not believe or have trust on the post made at the social media related to stock market. They just take it as information but did not completely rely on the investment decision making process. The opinions forwarded below by interviewees also validate that the post on the social media regarding the stock market are not so reliable.

Can't be trust on social media posts. [Interviewee NB-3]

I take it as knowledge enhancements only. [Interviewee SP-12]

I do have some issues on post related to stock market, especially from unauthorized news portal sites. [Interviewee VK-13]

Frankly speaking I completely ignore and have zero percent trust. [Interviewee TM-15]

Theme II: Helps to Understand the Trend of the Stock Market

Rahman and Debrecency (2010) had assessed the impact of frequency of online material information on online social media on stock market prices. The paper found that the frequency of the posts related to accounting information of the listed companies had helped to enhance an efficiency of the stock market and also benefited to the investors. Similarly, Li et al. (2019) studied the social media users' moods and social influence among stock

market investors using Tencent Moods-based Stock Trend Analysis and social influence (SI) to model behavior diffusion in the stock market, where it was found that users who use financial terms to express their moods are likely to be real investors. A short and straight forward opinion were forwarded by most of the interviewees, i.e. 'Yes'. But three of interviewees stated they go through the posts not to understand the trend but see the investors' sentiments and see some technical aspects of market.

I go for technical analysis and bonus history. [Interviewee NB-3]

Not trend but we can analyze the psychology of the investors. [Interviewee GB-9]

It helps to understand the trend to some extent but totally depending on it would be suicidal. [Interviewee TM-15]

Theme III: Opinions, Comments and Advice at Social Media influence in an Investment Decision

Devi and Bhaskaran (2015) found that the sentiment in Twitter, happy and calm by the online community had a high correlation with the stock market prediction. The online social media conversation caused investor's behavior biased in making investment decision especially during the periods of high volatility in stock market. Atoom et al. (2021) found that most of the investors of in Amman Financial Market used the social media sites to obtain opinions and comments about the confidence of investors in a particular institution in order to help them make their investment decision. All most all of the interviewees stated that they are not being influenced by the opinions, comments, and advice forwarded or posted on social media. The interviewees stated that they go through the posts, comments, and opinions which could not be ignored, but ultimately the final decision should be as on an individual's skills and efforts.

Don't rely too much on social media. [Interviewee PB-1]

Listen to everyone, decide yourself. [Interviewee OA-2]

We shouldn't follow social media for quality investment. Investment decisions are to be taken based on several studies of company's financial information and quality analysis. [Interviewee SB-8]

Investment decisions depend upon my study and some trusted friends not the social media posts. [Interviewee SP-12]

I do not believe that these should influence in an investment decision, rather one should use their own understanding and conscience when it comes to investment. [Interviewee VK-13]

It's a matter to research. [Interviewee NB-3]

They should technical defend the opinion. [Interviewee GB-9]

The posts, comments and opinions are not seen effective but could not be ignored also. [Interviewee TM-15]

Theme IV: Information provided at a Specialized Group (Community) related to Stock Market are valuable

Ridings and Gefen (2006) found that the friendship and social support among the social media community have enhanced in the betterment of the virtual community. Kadous et al. (2019) identified how investors in securities respond to the advice provided through social media, and also to identify the impact of information provided by social media on the upward or downward situations of shares traded in the financial market on investment decision, in addition to identifying the source's credibility information in social media and to the degree of investor confidence in this information. Hence, the paper found that the social media platforms are of great importance in the process of influencing the investment decision of investors. In context to Nepal also, some of the investors have formed a specialized groups, where the group administrator manage the posts and few members post in the groups. Most of the interviewees gave a brief comment stating, 'Yes' and as stated below few partially believed on the posts made at the specialized groups.

Yes, partially, but most of them are biased. [Interviewee OA-2]

Sometimes, they are quite valuable. [Interviewee SB-8]

Sometimes they are valuable. It depends upon the reputation of information provider. [Interviewee GB-9]

I consider it to be valuable for the amount of expertise the group holds in the stock market. [Interviewee VK-13]

I think the posts on these so called groups want to divert the market trend as per their own expectation and benefits only. They are not thinking for the generalize benefit while making a post. [Interviewee TM-15]

Iv. Conclusion And Implications

Social media has been a part of life in the modern techno-based era. Information has become a lifeline. Westerman et al. (2014) stated that the gatekeeping function of that information also falls more into the hands of the page-users, rather than the page creators. The same principle applies for the specialized group of investors in social media as well.

The Nepalese investors do not rely on the posts at social media to make their investment decisions. The reliability of the posts is seen as a major concern. At the same time, the Nepalese investors used the posts at social media to find out the stock market's trend.

The Nepalese investors do not have a high faith on the comments, opinions and advice forwarded at the social media regarding the stock market. There is a trend of forming a specialized group among the Nepalese investors to make a posts related to Nepalese stock market. In this context, the Nepalese investors found the posts partially fruitful in the specialized group to make investment decisions.

Though the rise of the use and dependency of social media for information have heavily increased after the COVID-19 pandemic, the reliability of the information available at the social media is seen questionable. The Nepalese stock market investors are also found to follow the posts, opinions and views available at the social media but reluctant to follow blindly. This also shows that the investors should enhance their skills and knowledge and not just following the noise effects that are floated in the social media sites.

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