

Effects of Social Media Information on Intention to Invest in Nepalese Capital Market

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Abstract

The study has aimed to utilize the Theory of Planned Behaviour (TPB) to understand the investment intentions of potential individual investors in Nepal and explore the implications of online social media on their inclinations to invest in the capital market. The data were collected from 383 respondents through scheduled questionnaires and analyzed using the Statistical Package for the Social Sciences (SPSS), the study finds subjective norms, preference for innovation, risk-propensity, and perceived risk positively influence investment intention, however, attitude towards information has no effect on investment intention. The findings provide valuable insights for investors in Nepal to consider subjective norms, innovation preferences, risk propensity, and perceived risk when making investment decisions in the capital market.

Keywords: Capital Market, Investment Intention, Social Media Information

I. Introduction

Background of the study

Investment in finance involves purchasing assets such as stocks, bonds, real estate, or enterprises with the goal of earning income or capital appreciation over time. A capital market is a financial market where individuals, institutions, and governments engaged in buying and selling securities. Investment intention represents the desire or willingness of an individual or organization to engage in investment activities and Investment as an act of allocating resources, typically capital, into assets or projects with the expectation of generating profitable returns over time. The resources can be directed towards various financial instruments such as stocks, bonds, real estate, or entrepreneurial ventures, aiming to achieve growth or income (Gitman & Joehnk, 2020).

Nepal's capital market history goes back to the early 1990s, when the country had little financial infrastructure and a relatively underdeveloped stock market. In 1992, the Nepalese government took a crucial step toward reforming the financial sector by establishing the Securities Board of Nepal (SEBON) as the capital market's regulatory authority. The Nepal Stock Exchange (NEPSE) was formed the following year as the country's first stock market. Initially managed manually, it was digitized in early 2007, increasing trade efficiency and accessibility (SEBON, 2011).

Nandan and Saurabh (2016) focused on the limited research undertaken by participants in financial markets, showing a gap in understanding the motivations of those involved in Nepalese financial markets. Furthermore, Luky (2016) discovered that behavior, subjective norms, perceived behavior control, and attitude had a substantial impact on investing intention, emphasizing the importance of psychological and emotional factors in investment decisions.

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Social media Shares information about to the data, content, and opinions published on various social media platforms through Facebook, Twitter, Linked In, Instagram, and others. News articles, blog entries, company announcements, analyst opinions, market trends, and user generated content about financial markets, investment possibilities, and specific financial assets are examples of the information. The basic goal of social media is to foster dialogue, content, and information exchange. Social network features and users can help to anticipate market success (Bissattini & Chistodoulou, 2013).

Social media information has grown importance in the capital market because of its potential impact on investment decisions. With the increased use of social media platforms, investors now have access to real-time market information, expert insights, and other investors' perspectives, which may influence their investment decisions. However, few studies have been conducted by financial market players (Nandan & Saurabh, 2016). The current study aims to better understand the motivations of those who participate in Nepalese financial markets. Despite the expansion of financial markets, it has been discovered that the majority of Nepalese households do not trade.

The empirical study discovered that behavior, subjective norms, perceived behavior control, and attitude all had an effect on investment intention (Luky, 2016). Several studies have found that psychological and emotional factors influenced investors' investment decisions (Griffith, Najand, & Shen, 2020). Lai (2019) investigated the impact of an individual's personality traits on stock investments by analyzing investor intention, all stakeholders must be included in making outstanding investment selections.

Individual investment decisions continue to pique the curiosity of scholars, professionals, and policymakers. Because portfolio allocation has an impact on household wealth (Papke, 2004; Vissing-Jorgensen, 2002), it is critical for investors to participate in financial markets and select appropriate investment products that can help them grow and keep their wealth in order to accomplish their long-term financial goals.

Problem Statement

Koirala (2021), stated that the Nepal's capital market is extremely volatile. It has been observed over time and again that various market moves occur for no apparent reason. It is due to the various biases that exist among investors. Interfering conduct is one of the biases that affect an investor's investment decision. In Nepal, there have been few field studies and a lack of recent research. Investors' investment intentions may have been impacted by the considerable increase in the number of investors and the implementation of an awareness program. This has brought up the following concern for the study.

- What personality traits influence investors' intentions in the capital market?
- What impact does social media have on investor intentions in the capital market?
- How does innovation influences people's plans to invest in the capital markets?

Research Objectives

The study's primary objective is to evaluate the impact of online social media on investors' investment intentions, which will lead to a better knowledge of stock market prediction. Different components of social media influence investor intentions. The precise research aims are:

- To investigate the influence of personality factors on investors' investment intention in the capital market.

- To examine the influence social media on investors' investment intentions in the capital market.
- To investigate the influence of preference for innovation on investors' investment intentions in the capital market.

II. Theoretical Framework

Literature Review

This section discusses the literature of prior investigations conducted by numerous scholars. It provides an outline of a literature evaluation pertaining to various investment intentions towards the capital market from both a national and international perspective.

Investment Intentions

The Theory of Planned Behavior (TPB) is a psychology theory that describes human behaviour using three fundamental constructs: attitudes, subjective standards, and perceived behavioral control. It was proposed by Ajzen (1985). The TPB model has been frequently utilized in behavioral domain research (Shaw et al., 2000), but studies on investment behaviour intention are restricted, for example, East (1993), who used TPB to determine investment intention in private British industries. Previous study on investment intentions using the TPB has been limited, with only a few studies employing the TPB to predict an individual's desire to engage in financial markets. This research has established a foundation for the use of TPB in investing intentions.

Widyasari and Aruan (2022) analyzed the effect of social media as a source of information for prospective young individual investors in Indonesia. The Theory of Planned Behaviour (TPB) and the Information Adoption Model (IAM) were used and the core data collected from an online poll with 598 respondents. Using the Structural Equation Model, the study demonstrates that financial self-efficacy mediates and moderates the relationship. Furthermore, investor risk perception was one of the most influential variables.

In another paper by Nugraha and Rahadi (2021), seek to analyze the young generations' perceptual characteristics in Indonesia, specifically millennial, generation Y and generation Z, towards preliminary stock investment intention. The study's findings revealed that not all TPB perceptual characteristics were relevant on young Indonesian generations' stock investing intention; only attitudes towards behaviour were significant. Furthermore, the education level of Indonesia youth generations played moderating impact in affecting investment intention.

In similar context Akhtar and Das (2019),evaluated the investment intentions of prospective individual investors in a developing country (i.e. India) by employing the "Theory of Planned Behaviour" (TPB) (where perceived behavioral control has been replaced with financial self-efficacy, FSE) and two additional constructs, namely financial knowledge and personality traits (i.e. risk-taking propensity) and the study employs a quantitative and cross-sectional approach. The study's findings revealed that attitude was partially responsible for mediating the association between financial knowledge and investment intention, whereas financial self-efficacy played a dual role in mediating the relationship between personality traits and investment intention. Subjective norms, on the other hand, had a somewhat favorable impact on investment intention.

Variables and Hypothesis

Attitude towards information usefulness

Attitude is a mindset that describes whether an action is important, damaging, or helpful, as well as whether the conduct is pleasant or joyful (Schmidt, 2010). As a result, if an individual has a favorable attitude towards a certain behavior, there is a good possibility that they will acquire a positive intention to engage in that behavior. Based on the empirical findings, the following hypothesis has been developed.

H1: There is a significant association between *information usefulness* and investor' investment intention

Subjective Norms

It takes into account people's perceptions of whether the rest of the world considers their acts to be important or not. TPB has been frequently employed in studies to explain behavior, but research on investing behavior is still scarce. Ramayah (2009), discovered that attitude and subjective norms have a direct positive link on investment intention. As a result, even if an individual wants to engage in a particular conduct, they can develop the desire to do so under social pressure (Venkatesh & Davis, 2000). Based on theory and empirical findings the following hypothesis has been posed.

H2: Subjective Norms positively influence investors' Investment Intention.

Perceived risk

Perceived risk is powerful in explaining consumers' behavior considering influences often motivate consumers to avoid mistakes rather than to maximize utility in purchasing and expecting loss. Uncertainty in perceived risk on a social network may be derived from reasons such as users' capacity to interpret the resultant experience, problems in evaluating the network, and variations between expectations and experiences. According to Li, Wang, and Liang (2014), risk perception in capital market investing can have a detrimental impact on investment intention. Based on the finding, the following hypothesis has been proposed.

H3: Perceived risk has insignificant effect on investors' investment intention.

Preference for innovation

Preference for innovation refers to an individual's or an organization's inclination or desire to embrace and prioritize new ideas, technologies, processes, and methods that lead to creative and novel solutions. According to Akhtar and Das (2019), the structures are shown to measure investment intent. PI is the personality feature that the researcher looked at in their research. Previous research indicates that there are strong correlations between PI and investment (Chang, 2010) and portfolio diversification (Mouna & Jarboui, 2015). On the basis of prior research. The following hypothesis has been formulated.

H4: There is a considerable association between the preference for innovation and the investors' intention to invest in capital market.

Risk-taking Propensity

Risk-taking propensity is an innate trait that differs between people and can have a substantial impact on decision-making and behavior aspects in many areas of life, including personal, professional, and financial problems. According to Akhtar and Das (2019), risk-taking proclivity (RTP) and preference for innovation (PI) are employed as dimensions of personality traits investment decision. Individuals' desire to make a decision has been predicted using RTP. Furthermore, it is believed that individuals with RTP are more likely to have an intention to invest in financial markets when they are very confident of their ability.

H5: Risk-taking proclivity has positive influence on investors' investment intention.

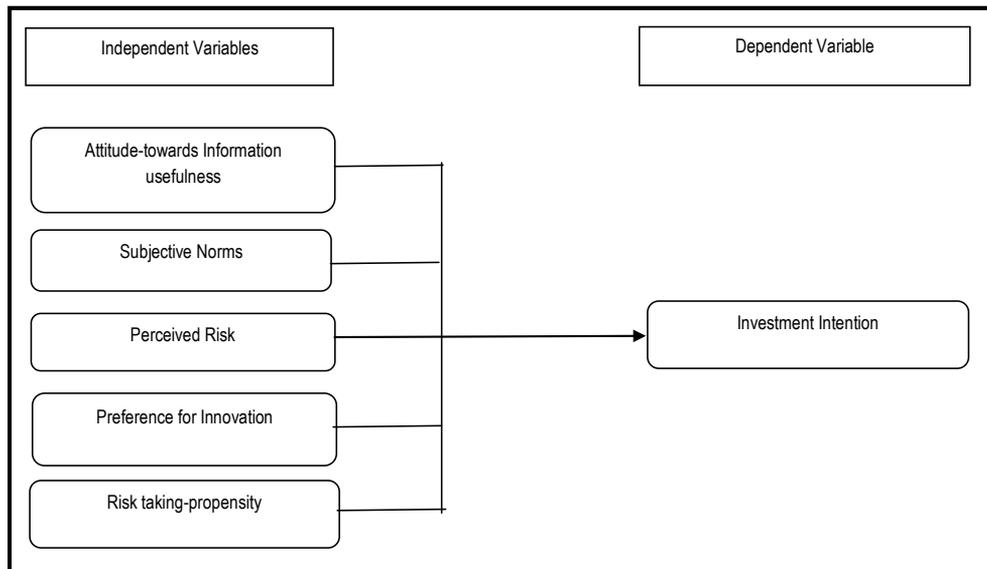
Investment intention

The plan or desire of an individual or an organization to deploy financial resources into various assets with the hope of earning returns is referred to as investment intention. It is an immediate antecedent of behavior before defining investment intention (Ajzen, 2002). If all of the requirements of intention are beneficial, such as attitude, subjective norms, and perceived behavioral control, individual is more likely to undertake the specific behavior.

The research framework of the study is mentioned below:

Figure 1

Theoretical Framework



Note. Adapted from Widyasari, 2022.

III. Research Methodology

This section includes the research design, demographics, sample size, sampling method, data collection sources, data gathering procedures, and data analysis tools. The study employed a

questionnaire adapted from Widyasari (2022).

Research Design

This investigation was carried out using a survey-based descriptive and causal research design.

Population

The population for this study was the total number of persons who were actively involved in security trading in capital market and the size of population is unknown. Using Cochran (1977) formula the sample size has been determined 384.

Sampling Technique

The data were collected via an online survey established on the Google Forms platform. Non-probability purposive sampling method was used in the investigation to ensure that only qualifying respondents are included. Purposive sampling is often used in research studies when the researchers aim to target a specific group of participants who possess certain characteristics or experiences that are essential for the study. In this case, there are targeted individuals with capital market experience who use social media for investment decisions. While using purposive sampling, proper care was given to select suitable respondents.

Diagnostic Test

Prior to performing correlation and regression, questionnaires were collected and preliminary tests were performed. The construct's reliability and validity have been tested, and the results are shown in table 3. The variables' multicollinearity were diagnosed, and no issues were discovered.

IV. Results and Conclusion

This section depicts the analysis and interpretation of collected data. The results of different statistical tools of the research are mentioned below:

Respondents' Demographic profile

The sample includes 383 respondents, with 225 males and 158 females ranging in age from 19 to 58 years. The bulk of responders (157) were students with academic qualifications greater than high school.

Descriptive statistics

Table 2 presents descriptive information of responses on different independent variables. The response was taken at 5 point likert scale where 5 represent strongly agree to 1 strongly disagree. The mean values in the table indicate is that participants' reactions to various concerns connected to investment intention towards capital market and they are above average level (2.5), showing positive influence of social media information on investors' investment intention.

Table 2*Descriptive statistics*

Variables	N	Mean	SD	Min	Max
Attitude-towards Investment	393	3.537	0.772	1.00	5.00
Subjective Norms	393	3.660	0.741	1.25	5.00
Preference-for Innovation	393	3.544	0.688	1.25	5.00
Risk Taking Propensity	393	3.570	0.719	1.00	5.00
Perceived Risk	393	3.464	0.778	1.00	5.00
Investment Intentions	393	3.675	0.795	1.00	5.00

Reliability and validity test

Table 3 provides the Cronbach's alpha and Average Variance Extracted (AVE) values for five independent variables.

Table 3*Validity and Reliability of Variables*

S.N.	Independent Variable	Cronbach's Alpha	Average Variance Extracted (AVE)
1	Attitude-towards information	0.71	0.64
2	Subjective Norms	0.70	0.61
3	Preference-for Innovation	0.70	0.65
4	Risk- taking Propensity	0.78	0.81
5	Perceived Risk	0.80	0.78
6	Investment Intention	0.80	0.78

The provided table outlines various independent variables and their corresponding reliability measures and each variable demonstrates good internal consistency, as indicated by Cronbach's Alpha values ranging from 0.70 to 0.80. Additionally, the Average Variance Extracted (AVE) values, ranging from 0.61 to 0.81, suggest satisfactory convergent validity. These findings suggest that the study's measurement model effectively captures the constructs under investigation, providing valuable insights into the factors influencing individuals' investment intentions.

The correlation matrix in table 4 shows the coefficients of correlation between dependent and independent variables. The correlation coefficients range from 0.351 to 0.575, with all values indicating a positive relation. This implies that Investment Intention has a positive connection with each of the independent variables. Investment Intention is moderate positive correlated with subjective norms, preference for innovation, risk-taking propensity, and perceived risk. It also has a smaller positive relationship with attitude towards Information. These results are statistically significant at the 0.01 level, indicating that the associations are quite dependable.

Correlation Analysis

Table 4

Correlation Between Dependent and Independent Variable

Variables	Attitude Towards Information	Subjective Norms	Preference for Innovation	Risk-Taking Propensity	Perceived Risk	Investment Intention
Attitude Towards Information	1					
Subjective Norms	.371**	1				
Preference-for Innovation	.387**	.525**	1			
Risk-taking Propensity	.359**	.506**	.571**	1		
Perceived Risk	.361**	.384**	.440**	.709**	1	
Investment Intention	.351**	.544**	.492**	.575**	.535**	1

** Correlation is significant at the 0.01 level.

Test of Multicollinearity

Table 5

Test of Multicollinearity

Model	Co-linearity Statistics	
	Tolerance	VIF
Attitude towards Information	.780	1.282
Subjective Norms	.643	1.556
Preference-for Innovation	.580	1.723
Risk-taking Propensity	.394	2.540
Perceived Risk	.484	2.065

Note. Dependent Variable: Investment Intention

Table 5 shows that the tolerance factor is larger than 0.1 and that the VIF for all variables are less than 10, this suggests the variables are free from the issue of multicollinearity problem.

4.6 Regression Analysis

A correlation study can only show whether there is a significant relationship between two variables. Table 6 shows the summary of the regression results between investment intention, dependent variable, and independent variables:

ATI=Attitude towards information

PT=Preference for Innovation

β= Intercept or slope

PT=Preference for Innovation

ε = Random error term

PR= Perceived Risk

Substituting the values of coefficient from the table 6 in equation (i) we get:

$$FT = 0.359 + 0.55ATI+ 0.303SN+ 0.136PT+ 0.207RT+0.228PR+ \epsilon \dots\dots\dots (ii)$$

Table 8

Significance Analysis between investment intention and independent variables

Variable	P-value	Comparison	Remarks
Attitude-towards Information	0.207	0.207 > 0.05	Insignificant
Subjective Norms	0.000	0.000 < 0.05	Significant
Preference for Innovation	0.017	0.017 < 0.05	Significant
Risk-taking Propensity	0.002	0.002 < 0.05	Significant
Perceived Risk	0.000	0.000 < 0.05	Significant

Table 8 shows that, subjective norms, a taste for innovation, a predisposition for taking risks, and perceived risk are the best factors for predicting investment intention.

Conclusion

The study found a strong link between information on online social media and investment aspirations. Subjective norms, preference for innovation, risk-taking propensity, and perceived risk were all found to have a favorable influence on investment intentions. Subjective norms, innovation tendency, risk propensity, and perceived risk all had a substantial effect on investment intentions, but perceived risk did not. Notably, the study found that people's perceptions of social norms, inventive tendencies, risk acceptance, and perceived risk levels all play important roles in determining their investing intentions. Therefore, it can be concluded from the study result that investment intentions of investors are influenced by social media information. Moreover, perceived risk subjective norms preference for innovation and risk taking propensity are major explanatory factor of investment intentions of investor.

Implication

Overall, the findings demonstrate the significance of each of the five elements studied, allowing recommendations for practical measures to improve investment through social media information to be made. Subjective norms, preferences for innovation, risk-taking inclination, and perceived risk appear to be important elements, and stock brokerage businesses, internet transaction service providers, and software developers should pay particular attention to these. These features must be considered when enhancing the most recent social media information. This study seeks to contribute to the literature for future research on the role of social media on investors' investment intention in Nepalese capital markets.

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