

Analyzing the impact of Social Interaction on Stock Market Participation: A Qualitative Study Using NVivo

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Abstract

Background: Stock market participation plays a crucial role in wealth creation and economic welfare. Prior studies show social interaction factors like parental guidance, partner opinions and online networks can influence such financial decisions. However, little is known about their combined impact in developing markets.

Methods: This study analyzed the influence of social interaction on stock market participation in Kathmandu Valley, Nepal. Qualitative data was collected through interviews of 10 investors

and analyzed using NVivo software. Tools included word clouds, cluster analysis, sentiment analysis and thematic coding.

Results: Results indicated that while parents generally lacked knowledge, some were influenced by participating relatives. Partners motivated research through information sharing and encouragement. Community reputation had a positive effect. Internet emerged as the dominant information source compared to offline relationships. Moderately positive sentiments were observed for community, partner and internet influences.

Conclusion: Social interactions, particularly through the internet, collectively contributed to stock market participation. However, parental influence was less direct. Partners influenced primary market involvement through discussions. This provides novel insights into socio-cultural determinants of equity investing in an emerging South Asian context.

Novelty: The study makes an original qualitative assessment of multiple social drivers on capital market engagement in Kathmandu Valley, adding new dimensions for understanding household finance decisions and developing inclusive capital markets.

Keywords: Community, Internet, NVivo, Parental, Partner

Introduction

Researching stock market participation holds great importance within the realm of household finance due to its substantial implications ([Lin, Kong, Li, & Wang, 2024](#)). For the purpose of saving money for retirement, many invest in the stock market ([Clark-Murphy & Soutar, 2004](#); [Fernando & Prabowo, 2020](#)). Participation in the stock market involves buying and selling stock on the stock exchange in order to increase wealth ([Vasista, 2022](#)). Investments are pension liabilities undertaken to something like a company for a specified period of time with the expectation of earning ([Reilly & Brown, 2011](#)). Participation in the stock market becomes crucially significant because it encourages the accumulation of wealth, welfare, and smoothing out consumption ([Cole & Shastry, 2009](#); [Athreya, Ionescu, & Neelakantan, 2021](#)). Lack of stock market participation leads to welfare losses being imposed on the economy ([Cocco et al., 2005](#); [Nadeem, et al., 2020](#)).

For analyzing people's behavior through social psychology research, social interaction was generally taken into account ([Mehrad, Veiga, Kasparian, Cardoso, & Hernandez, 2023](#)). Later, however, the same social characteristics were also seen to be important when analyzing subjects like economics, organization, and behavioral finance ([Almansour, Elkrggli, & Almansour, 2023](#)). Oberlechner and Hocking (1994) highlight the significance of financial news sources in influencing decisions made by traders and investors within financial markets. They emphasize that these sources play a crucial role in providing essential information for decision-making processes. Moreover, they suggest that one-sided social contacts can impact the decisions made within financial markets. Similarly, Campbell (2001) underscores the importance of the Internet as a primary source of information for investors seeking to stay abreast of developments within financial markets. Investors utilize online platforms to access timely information regarding the markets and the various securities being traded. Which

increases the likelihood that judgments will be based on this source of social interaction. Nofsinger (2003) asserts that social connection is more successful when it is two-sided or multi-sided than when it is one-sided. However, considering that social interaction frequently resulted in the transmission of biased information (Shiller, 1984, 1990; Kaustia & Knupfer, 2012; Muhammed & Mathew, 2022), Making financial decisions based on information obtained through social interactions could lead to investors holding diverse perspectives, which would eventually promote asset price bubbles (Hong & Stein, 2007; Almansour, Elkrghli, & Almansour, 2023) and large fluctuations of financial markets. Therefore, researching how social interaction influences stock market participation decisions has major repercussions for macroeconomics and finance. The study has been conducted to analyze the impact of the social interaction on stock market participation in Kathmandu Valley.

Review of Literature

The modern relationship between a person and their parents is believed to comprise information and experience sharing, as well as talks that result in the approval or rejection of potential acts. Little research has examined the financial environment of parental social contact thus far. Li (2013) is an exception, as she researches the sequential relationship between parental and stock market participation. It is then believed that knowledge sharing affects individuals' entry because of parental entry later in life (which is presumed to be driven by an exogenous factor not affecting individuals' later entry). According to the findings, a household investor's chances of investing in the stock market are roughly 20 to 30 percent higher if their parents or kids did so within the preceding five years. Hellström et al., (2013) has also found a favorable social interaction impact, i.e., if one parent does well, they will boost their adult child's likelihood of participating in the stock market the next year through social interaction. It's interesting to note that the scale of these effects is relatively comparable, emphasizing the relevance of both parents in today's social milieu for adults.

H_{A1}: Parental influence has a significant impact on stock market participation.

Hellström et al., (2013) conducted a study on the research on loved one's matter as the family effects and stock market participation. The study finds a favorable portfolio success for the partner has a positive correlation with the participant's involvement in the following term. However, it is challenging to research the impact of social information exchange between spouses in a family. In addition to information sharing and observational learning, a partner with significant bargaining power may also be the cause of an observed association between people's and partners' stock market engagement. For instance, Friedberg and Webb (2006) discover that as the husband's bargaining power rises, households tend to invest more significantly in equities. Furthermore, regardless of gender, negotiating power is positively connected with financial literacy, educational attainment, and wage, according to Elder and Rudolph (2003), Friedberg and Webb (2006) and Rink et al. (2021).

H_{A2}: Partner influence has a significant impact on stock market participation.

Hellström et al., (2013) conducted a study on the research on loved one's matter as the family effects and stock market participation. The study finds individuals' chances of involvement are found to be significantly increased, on average, by the number of peers who had strong portfolio performances in the previous period. According to a model developed by Han and Hirshleifer et al. (2011), consumers fail to account for this bias when selecting an investment strategy since investors are more inclined to talk about successful investments than unsuccessful ones. Speaking about successful outcomes can also be more fun than talking about unsuccessful ones, and seeming like a savvy investor can also have personal advantages.

H_{A3}: Community effect has a significant impact on stock market participation.

The Internet is primarily a communication tool that has the power to alter how people engage with one another in social settings. Fernández-López et al., (2018) examined the role of internet in stock market participation as matter of habit or not. The researched demonstrate stock ownership is more common among internet users.

However, a social multiplier effect or an informational effect of virtual sociability is not supported by the evidence that was gathered. A beneficial effect of internet use on Stock Market Participation decisions is still there after adjusting for the nation's Stock Market Participation rates, indicating that contextual variables rather than internet use per se are important. Thus, the practice of utilizing the internet promotes Stock Market Participation in nations where people are "accustomed" to being stockholders, but the "breeding ground" is a necessary requirement.

According to Liang and Guo, (2015) internet access tends to increase the stock market participation rate through the flow of information which was found in the study of social interaction, internet access and stock market participation- an empirical study in China.

H_{A4}: The internet has a significant impact on stock market participation.

From the above discussion, the present study tries to establish that the above discussed factor of social interaction collectively contributes towards the stock market participation.

Research Methodology

The study applied descriptive research design which aims to study the subject of research in detail and explain the facts and characteristics related to research problem. The theoretical foundation of this study is based on the article of Hellström et al., (2013) and Liang and Guo, (2015). This study used interview with the stock market participant's data.



Figure 3. Community effect and stock market participation.

Source: Output of NVivo 12

It has been inferred from the word cloud that community influence on stock market participation. As the word positive, reputation, encourage, society and information are the most highlighted word in the cloud. There is positive reputation in the community for the stock market participant

H_{A4}: The internet has a significant impact on stock market participation.



Figure 4. Internet and stock market participation.

Source: Output of NVivo 12

The word cloud highlights the strong influence of internet on stock market participation. Most of the word are highlighted in the word cloud which shows that internet is strongest among the factors of social interaction. Respondent were happy with the information gathered from the internet on stock market. YouTube and social media were the good source for the information about stock market.

Cluster analysis

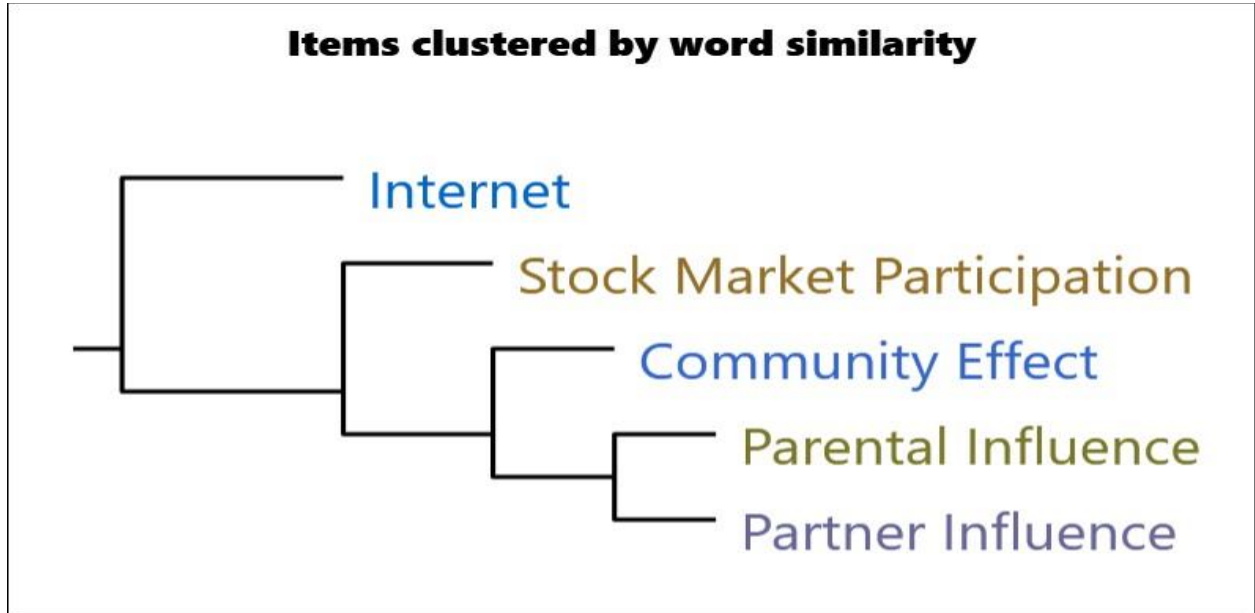


Figure 5. Cluster analysis dendrogram

Source: Output of NVivo 12

The figure 5 highlights that the internet is main source of influence for the stock market participation. This figure support that internet is the strongest variable to influence the stock market participation. Similarly, from Figure 5, it can be expressed that the community represents the parents and partner who were participants in the stock market and the internet were the main reason parents, partner and community were influenced to participate in the stock market.

Sentiment analysis:

Table 1: Sentiment analysis result

Code	Very negative	Moderately negative	Moderately positive	Very positive
Community Effect	0	1	8	1
Internet	0	1	15	2
Parental Influence	4	3	6	1
Partner Influence	0	0	8	2
Stock Market Participation	1	6	3	0

Source: Output of NVivo 12

The table 1 highlight the sentiment analysis result of the respondent from the interview. The table shows that the parental influence in stock market varies from very negative to very positive. This may be due to the lack of knowledge about the stock market among the respondent. On the other hand, Stock market participation is seen as negative by the respondent parents from the interview. There are moderately positive sentiments in terms of influence from the community, internet, and partners in stock market participation.

Thematic analysis

Table 2: Thematic analysis result

Code	Information	Market	Participation	Primary market
Community Effect	3	3	3	0
Internet	3	6	5	2
Parental Influence	2	5	4	2
Partner Influence	0	8	6	3
Stock Market Participation	1	11	8	3

Source: Output of NVivo 12

Table 2 shows the thematic analysis result of the respondent from the interview. The result highlight that community effect, internet and partner influence have impact on stock market participation. From the respondent it can be seen that partner plays vital role in market participation. Similarly, internet and parental influence have contribution on information and market participation. Community has no influence in primary market as per respondent of the interview.

Discussion

Study analyze the impact of social interaction factors on stock market participation in Kathmandu Valley. Specifically, it examined the influence of parental guidance, partner opinion, community effect, and internet usage. Quantitative data was collected through interviews with 10 stock market investors in Kathmandu Valley. NVivo software was used to conduct qualitative analysis, including word cloud generation, cluster analysis, sentiment analysis, and thematic analysis.

The word cloud analysis reveals a mixed sentiment regarding parental influence on stock market participation. While some respondents indicated encouragement and motivation from parents, others expressed a lack of knowledge and trust in the stock market among Nepalese parents. In the same vein, Hellström et al. (2013) found that family interaction is crucial to stock market investment decisions. This suggests that parental influence may not uniformly facilitate stock market participation and underscores the need for targeted financial education initiatives to bridge knowledge gaps and instill confidence in potential investors.

The word cloud analysis highlights the significant influence of partners on stock market participation, with words like "encourage" and "motivate" prominent in respondents' responses. This underscores the importance of spousal support and collaborative decision-making in financial matters. Additionally, the thematic analysis suggests that partners play a vital role in market participation, indicating the potential for joint investment strategies and shared financial goals within households.

The word cloud analysis indicates a positive reputation and encouragement within the community for stock market participants. Similar findings from a review study by Parvin and Panakaje (2022) indicate that social inclusion will increase stock market participation. Similarly, this suggests that social norms and community perceptions may influence individuals' decisions to engage in the stock market. However, the thematic analysis reveals that community influence may not extend to primary market participation, implying a nuanced relationship between social networks and investment behavior.

The word cloud analysis underscores the significant influence of the internet on stock market participation, with respondents expressing satisfaction with information gathered from online sources such as YouTube and social media. This highlights the role of digital platforms in democratizing access to financial information and empowering individuals to make informed investment decisions. Hvide et al. (2024) Highlights that Internet has tremendously enhanced private investors' information gathering and financial market access. Research results suggests that access to high-speed internet does not increase stock trading among current investors, save for the most active ones. The thematic analysis further supports the notion that internet access facilitates both information dissemination and market participation.

Cluster analysis further validated internet as the dominant social factor influencing participation decisions. Sentiment analysis showed moderately positive views of community, partner and internet influences, but more variable opinions of parental impact and the market overall. Thematic analysis identified partner role in primary market involvement. Information sharing appeared significant across different relationships.

A key takeaway is the prominent role of virtual social interactions via internet compared to offline family and community dynamics. This aligns with trends of rising tech adoption among youth in Nepal. While parents didn't directly encourage participation, their involvement through social learning was still noted. Partners served as confidants who motivated research and investment.

Implications

The findings of this study suggest that social interaction plays a multifaceted role in shaping stock market participation decisions. While parental and partner influences may vary in their effectiveness, community perceptions and internet access emerge as significant determinants of investment behavior. Understanding the interplay between social factors and financial decisions is crucial for policymakers and financial institutions seeking to promote inclusive and sustainable market participation. Targeted interventions aimed at enhancing financial

literacy, fostering supportive social networks, and leveraging digital platforms can help empower individuals to make informed investment choices and contribute to economic growth and welfare in Kathmandu Valley and beyond.

Conclusion

The research result shows that there is no significant relationship between Parental Influence and Stock Market Participation. This is due to the fact that having a parent participate in the stock market prior to the child is not required. Moreover, people without parents or parents that lack knowledge of the stock market tend to participate in the stock market. The research result shows that there is significant relationship between Partner Influence and Stock Market Participation. This is because having a positive partner influence leads to stock market participation. The research result shows that there is significant relationship between Community effects and Stock Market Participation. This is due to the fact that having a positive community effect allows people to participate in the stock market. Furthermore, the research result shows that there is significant relationship Internet and Stock Market Participation. This is because having internet really supports individuals in the stock market participation. The study makes a novel contribution but has limitations. A larger representative sample is needed. Variables like education level and income were not accounted for but likely impact financial knowledge and decisions. Future research could employ mixed methods or longitudinal designs to better disentangle complex social factors overtime. Overall, the findings highlight the multifaceted human dimensions underlying investment behavior with implications for developing capital markets.

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