

The Study of Influence of Social Media on Stock Market Investors

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Abstract:

In the present world scenario, the social media has taken everybody by storm. It will not be wrong to say that social media has created an addiction in the mind of the users. Many people have a misunderstanding in their mind that social media is completely free. This notion itself is questionable. Though there may not be any direct cost for the social media, there is tremendous indirect costs involved. The Social Media channels like You Tube, etc. make your opinions biased and then when that product is purchased, many times there is an experience that it is of cheap Quality.

Same thing happens in respect of Investments i.e. more and more Social Media channels give wrong information and based on that information common man invests in a particular share / mutual fund and they face a loss as price of that share goes down. Hence the study of investors who are influenced by social media is very important.

Keywords: Indian Stock Market, SEBI, Retail Equity Investors, Equity Investments, Social Media Stock Market Recommendation Channels, etc.

Introduction:

Research Methodology:

The analysis is based on secondary data. This is because the information about the returns and other parameter required for judgment are available on the reports published by various investment houses, houses on their websites, which is the most authentic data which can be available at any point of time.

Data Analysis & Interpretation:

Actually, investors must do their own analysis and based on their own knowledge they should decide about buying or selling of shares. There are various tools of analyzing the Stock Markets and Companies therein. These are discussed in detail below.

(a) Effective Investment planning for the investment - by considering fiscal, financial and monetary policies of central government and RBI and industrial and economic environment and its impact on industry prospects in terms of prospective technological changes, competition in the market, capacity utilisation with industry and demand prospects, etc.

(b) Constant review of investment - The portfolio managers are required to review their investment in securities and continue selling and purchasing their

investment in more profitable avenues. For this purpose, they should analyse the quality of the management, financial analysis of companies' Balance Sheet / Profit and Loss Accounts and analysis of securities market and its trend.

Fundamental Analysis of Companies:

1. STATISTICAL ANALYSIS OF PAST SHARE PRICES - A statistical analysis of the immediate past performance of the share prices of various industries should be made so that on the basis of the past performance the prediction about future is to be made.

2. ASSESSING THE INTRINSIC VALUE OF AN INDUSTRY / COMPANY'S SHARES - With the help of statistical analysis a list of the industries with growth potential is made. After identifying the industries with high growth potential, the next step is to assess the value of the concerned industry / company on quantitative and qualitative front.

(a) General factors affecting the value of the industry's shares industry analysis - The value of an industry's shares particularly depends upon its economic prospects, which in turn depends upon the following factors: -

(i) Demand and supply position - The gap between the demand and supply of products of the industry is likely to have a significant influence on the future

growth prospectus of the industry.

(ii) Profitability - The profitability of an industry depends to a great extent upon the cost structure in relation to the selling price of its products. It is not always necessary that an industry with high growth potential will also have a high profitability. Profitability of an industry is of vital significance for the investor since it is a measure not only of the performance of the industry but also of the amount of his possible earnings.

(iii) Industry's special characteristics - It is important to study the special characteristics of an industry in order to understand their impact on the working of the industry. For example, certain industries depend, to a great extent, on imported components. A slight increase in the exchange rate will terribly upset the cost calculations.

(iv) Labour Management relations - The state of labour management relations greatly influences the working of the company. Bad labour management relations have an adverse impact on profitability. An investor must therefore see that there is a cordial relationship between labour and management while selecting his investment portfolios.

(b) Special factors affecting the value of a particular company's shares (Company Analysis) After selecting the industry / industries, the investor will have to select the companies whose securities should constitute the portfolio. The following factors are considered for this purpose.

(i) Size and ranking of the company - A general idea about the size and ranking of the company within

the economy and the particular industry to which the company belongs is important in assessing the risk associated with the company. This can be done by comparing the turnover, net profit and capital employed of the company with other companies in the same industry group.

(ii) Growth record - An assessment regarding potential growth of the company can be made on the basis of past sales figures, capital employed, return on investment, earning per share.

Research Findings:

However, after studying the way present day investors are taking investment decisions, it is found out instead of analyzing by self, these investors take decisions based on social media like YouTube. This is evident from the fact that the so-called Stock Market gurus have lakhs or even crores of followers who listen and take advice of these Stock Market Influencers. For example, one Stock Market Influencer named Rachana Ranade has 52 Lakh followers and her Videos are viewed by lakhs of people.

Conclusion:

It is concluded that present day investors have found out an easy way to listen and take decisions based on recommendations given by social media. This is a very dangerous trend, and as Markets are very unpredictable and Nobody can Time the Markets, there is a certain reality that if lessons are not taken from past crashes, this time also common retail investors will suffer heavily if the Market Crashes.

