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THE ROLE OF SOCIAL MEDIA IN ECONOMIC AND INVESTMENT DECISION-MAKING: A CONTEMPORARY ANALYSIS

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This research paper explores the dynamic role of social media in shaping economic and investment decisions in the digital age. Drawing on a robust selection of peer-reviewed studies from 2019 to 2025, this study highlights the growing influence of social platforms on public opinion, brand equity, financial forecasting, and market behaviour. The research uses a qualitative approach supported by thematic analysis to synthesize findings across diverse domains, from sentiment analysis to predictive modelling. The paper concludes with actionable insights for investors, marketers, and policymakers navigating an era where digital interaction increasingly informs financial behaviour.

1. INTRODUCTION

The digital revolution has transformed how information is created, shared, and consumed, influencing almost every aspect of human behaviour—including how individuals and institutions make economic and investment decisions. Among the most significant developments in this transformation is the rise of social media, which has evolved from a platform for personal interaction into a powerful driver of public discourse, consumer behaviour, and financial market activity. Platforms such as Facebook, Twitter (now X), Instagram, YouTube, and TikTok are no longer just communication tools; they are now considered influential information ecosystems where market sentiments are formed, propagated, and acted upon in real time. In recent years, social media has become an increasingly important source of financial information. Retail and institutional investors alike monitor social trends, trending hashtags, and influential posts to gauge market sentiment, anticipate price movements, and adjust their investment strategies accordingly. Notably, events such as the GameStop short squeeze in 2021, driven largely by the Reddit community r/Wall Street Bets, have highlighted how collective sentiment and digital activism can disrupt traditional market behaviour. The blending of technology, behavioural economics, and online communication has created an environment where opinions, emotions, and expectations shared online can translate into tangible market movements within hours, if not minutes. Simultaneously. marketers and brand managers have begun to leverage social media's reach to influence consumer purchasing decisions. Content generated by influencers, product reviews from users, and viral marketing campaigns have been shown to significantly affect customer engagement, trust, and loyalty. In particular, younger consumers—often categorized as digital natives—are more likely to seek and trust product recommendations on social platforms over traditional advertising. As a result, the economic consequences of social media are now evident in both capital markets and consumer markets. In addition to content, the technology that processes social media data has become increasingly sophisticated. Sentiment analysis tools powered by artificial intelligence (AI) and natural language processing (NLP) are capable of parsing millions of posts and comments to identify emotional tone, intent, and influence. These insights are increasingly integrated into algorithmic trading systems, marketing strategies, and policy analysis frameworks. Predictive models now combine traditional financial indicators with real-time sentiment extracted from social media to enhance forecasting precision. The COVID-19 pandemic further underscored the centrality of social media as an economic information source. During periods of uncertainty and lockdowns, individuals relied heavily on social platforms for news, financial advice, and purchasing decisions. This shift accelerated the role of digital ecosystems in shaping economic behaviour at both micro and macro levels. Given this background, the present study aims to examine the multifaceted impact of social media on economic and investment decisions. It seeks to explore how platforms influence investor sentiment, consumer trust, market trends, and brand perception, and how artificial intelligence tools help make sense of these digital signals. The objective is to synthesize current research and offer insights into the mechanisms through which social media affects economic behaviour, with the goal of informing future strategy, regulation, and academic inquiry.

2. LITERATURE REVIEW

The relationship between social media and economic or financial decision-making has gained notable scholarly attention over the past decade. Researchers have approached this topic from interdisciplinary perspectives—ranging from behavioural finance and digital marketing to data science and artificial intelligence—demonstrating the breadth of social media's influence on both individual and institutional actors. One significant stream of research highlights how social media platforms influence investment behaviour. Joshi and Rawat (2025) conducted a study in Nepal showing that platforms like Facebook play a key role in shaping investor decisions, particularly among the younger, digitally literate population. They found that while social media facilitates access to financial discussions, the level of capital market literacy significantly influences how individuals interpret and act on this information. Similar regional insights are echoed by Tran et al. (2024) in Vietnam, where LSTM-based models using social data accurately predicted stock price trends. From a technological perspective, several studies have emphasized the contribution of sentiment analysis and machine learning in extracting actionable insights from social media content. Mehta et al. (2021) combined deep learning models with sentiment analysis to enhance prediction accuracy for the Indian stock market, achieving over 92% accuracy using LSTM networks. Likewise, Wang (2025) proposed a multi-factor deep learning framework that integrates political, emotional, and market variables to forecast market fluctuations with higher precision. Adding a more nuanced approach to data uncertainty, Abdelfattah et al. (2024) utilized Neutrophil Logic, an advanced logic-based model, to refine sentiment interpretation from social media, demonstrating improvements in both forecasting accuracy and decision reliability. This suggests that uncertainty-aware frameworks are critical for better financial predictions. On the consumer side, marketing scholars have also examined how social media engagement affects brand equity and consumer trust. Chen and Qasim (2020) investigated the impact of interactive and personalized brand content on emotional brand attachment. Their findings suggest that authenticity and resonance in messaging contribute significantly to brand love, especially when influencer endorsements are perceived as credible. In support of this, Cooley and Parks-Yancy (2019) found that millennials place greater trust in social media content shared by people they personally know rather than celebrities or traditional advertisements. Political and societal dimensions are also emerging areas within the literature. Subject et al. (2022) showed that platforms like Instagram are not only campaign tools but also emotional amplifiers that drive political and economic perceptions, especially among young voters. This finding parallels the commercial world, where emotionally charged digital content similarly affects consumer decision-making and investor confidence. Finally, tools like VADER, Text Blob, and Sentient are frequently used across studies to quantify public sentiment. When combined with machine learning algorithms such as Boost, Random Forest, or Naïve Bayes, these tools significantly improve the prediction of market outcomes. Studies consistently indicate that models integrating both market and sentiment data outperform traditional, data-only models. Overall, the literature reflects a growing consensus that social media is a powerful mechanism for shaping financial expectations, brand evaluations, and economic behaviour. While there is strong evidence of its predictive value, further research is needed to understand the long-term effects of algorithmic influence and emotional contagion in volatile markets.

3. RESEARCH METHODOLOGY

This study adopts a qualitative, literature-based research methodology aimed at synthesizing interdisciplinary perspectives on the impact of social media on economic and investment decision-making. Given the complexity of the topic—which intersects behavioural finance, digital marketing, sentiment analysis, and machine learning—this method allows for a broad and integrative exploration of existing findings without the constraints of a primary dataset. The focus is on extracting key themes and drawing conceptual linkages from a diverse body of scholarly work published between 2019 and 2025.The selection of sources was conducted using purposive sampling, a non-probability technique frequently used in qualitative research to identify and analyse materials most relevant to the research question. Specifically, 25 peer-reviewed journal articles, conference proceedings, and scientific reports were chosen based on their focus on the intersection of social media, economic behaviour, sentiment analysis, and artificial intelligence. These sources were retrieved from reputable academic databases such as Scopus, Web of Science, Emerald Insight, and Google Scholar. Only studies that demonstrated methodological rigor, clear conceptual frameworks, and empirical findings were included.

Thematic analysis served as the primary tool for organizing and interpreting the data. Braun and Clarke's (2006) six-phase model of thematic analysis was applied to identify, code, and categorize the major recurring ideas and patterns across the literature. These patterns were then grouped into three overarching themes:

1. Investor Behaviour and Sentiment Formation,
2. AI-Driven Predictive Models, and
3. Consumer Decision-Making and Brand Equity.

Each theme was treated as a unit of analysis, and the individual studies were compared and contrasted within and across categories to highlight similarities, differences, and emerging trends. For example, studies utilizing advanced AI algorithms for stock prediction were assessed not only for technical performance but also for their reliance on social sentiment as an input variable. Similarly, research on influencer marketing was examined for its implications on both consumer trust and economic behaviour. To ensure the validity of this approach, a **triangulation strategy** was employed by examining the convergence of findings from multiple disciplines and methodologies. For instance, results from studies using quantitative sentiment scores were cross-referenced with those using qualitative user interviews or case studies to ensure consistency in interpretations. Additionally, platform-specific dynamics—such as Twitter's influence on market volatility or Instagram's role in consumer engagement—were examined in the context of regional and demographic differences to maintain analytical balance.

No human subjects or proprietary datasets were used, thus eliminating the need for formal ethical approval. However, ethical consideration was given to the integrity of source

material, citation accuracy, and the avoidance of misrepresentation. This literature-based methodology allows for a comprehensive and flexible approach that captures the multifaceted influence of social media across different economic sectors. It enables the development of a conceptual framework that not only consolidates existing findings but also identifies research gaps and potential future directions for more empirical studies. Ultimately, the methodology supports the objective of constructing a grounded and well-rounded understanding of how social media contributes to economic and investment decision-making in the contemporary digital era.

4. DATA ANALYSIS

The data analysis in this study is grounded in thematic synthesis, drawing from a curated selection of 25 peer-reviewed academic works spanning disciplines such as behavioural finance, marketing, information technology, and artificial intelligence. Since this is a qualitative, literature-based study, the "data" consists of documented empirical findings, conceptual frameworks, and analytical outcomes extracted from these scholarly sources. The purpose of this analysis is to consolidate and interpret existing knowledge, identify patterns across diverse contexts, and understand how social media shapes investment and economic decision-making processes. A structured framework was developed to guide the analysis, categorizing the selected studies into three major analytical clusters: **(1) investor sentiment and financial behaviour**, **(2) predictive analytics using AI and sentiment tools**, and **(3) consumer trust and brand dynamics**. Each cluster was then examined to extract recurring variables, theoretical perspectives, and methodological innovations. Within the **investor sentiment and behaviour** cluster, most studies identified real-time social media content—particularly from platforms like Twitter, Reddit, and Facebook—as a primary influencer of retail investor behaviour. For instance, articles analysing the GameStop incident highlighted how emotionally charged discussions within online communities created a feedback loop that significantly affected stock price volatility. Several studies also linked the frequency and tone of financial discussions on social media to short-term movements in indices such as the S&P 500 and NASDAQ. Notably, investor reactions were not just influenced by factual information but also by the emotional framing of content, especially during market uncertainties or crisis periods like the COVID-19 pandemic. The AI and predictive analytics category revealed a growing reliance on hybrid models that combine traditional technical indicators with social media-derived sentiment scores. Tools like VADER, Text Blob, and sentinel were frequently employed to quantify public mood, which was then used to train machine learning algorithms such as Long Short-Term Memory (LSTM) networks, Random Forests, and boost. These models often outperformed baseline models that relied solely on historical price data, with prediction accuracies ranging from 75% to 93%, depending on the dataset and algorithm used. Studies also explored advanced logic systems like neutrophil theory to manage ambiguous sentiment data, showing improved reliability in volatile markets. The third cluster focused on consumer behaviour, brand equity, and trust. Here, researchers demonstrated that social media content—particularly influencer posts, user-generated reviews, and interactive brand campaigns—played a vital role in shaping consumer decision-making. Brands that engaged actively and authentically on platforms like Instagram and TikTok reported higher levels of brand loyalty and purchase intention. Moreover, trust in content shared by known individuals or micro-influencers was consistently higher than that in corporate or celebrity-sponsored content. Across all themes, platform specificity emerged as a key variable. Twitter and Reddit were more influential in investment-related discussions, while Instagram and YouTube dominated consumer engagement and brand marketing dynamics. The analysis also pointed to a generational gap, with younger users more likely to base economic decisions on digital content compared to older demographics. In sum, the thematic data analysis underscores the multifaceted role of social media in driving both market behaviour and consumer choices. It also highlights the synergy between digital sentiment, AI technologies, and behavioural economics, offering a comprehensive lens for understanding 21st-century financial ecosystems.

5. FINDINGS

The analysis of the selected literature reveals a multifaceted and growing influence of social media on both economic behaviour and investment decisions. Across various studies, consistent patterns emerge that show how social platforms have become significant arenas for the formation of financial sentiment, brand perception, and decision-making behaviour among investors and consumers alike. These findings are categorized into four key areas: investor sentiment, predictive accuracy through AI, brand engagement, and platform-specific behaviour. The research underscores the role of social media as a powerful sentiment engine. Platforms such as Twitter and Reddit serve as real-time forums where market-related discussions unfold. The frequency, tone, and emotional content of posts have been found to affect stock prices, investor confidence, and even institutional decision-making. For example, discussions surrounding specific stocks like GameStop and AMC demonstrated that collective sentiment can lead to market fluctuations independent of traditional valuation metrics. Investors increasingly use social cues—hashtags, viral threads, and influencer opinions—as informal indicators of market direction. Emotional framing, particularly fear or enthusiasm, is found to amplify the impact of content, influencing both short-term trades and long-term strategies. Second, the integration of artificial intelligence and sentiment analy**sis** has been identified as a transformative development in financial forecasting. Several studies demonstrate that when models such as LSTM, boost, or Random Forest are supplemented with sentiment data from platforms like Twitter or financial news sites, predictive accuracy increases substantially. Sentiment scores generated through tools like VADER or sentinel allow these models to capture investor psychology, a variable often absent from traditional models. This trend indicates a growing reliance on hybrid forecasting systems that blend market data with emotional cues to improve decision quality and reduce risk exposure. Third, findings also highlight the significant influence of social media on consumer behaviour and brand engagement. Users are not just passive recipients of marketing messages; they actively co-create brand narratives through posts, reviews, and interactions. Brands that successfully engage audiences through personalized and interactive content experience greater loyalty and stronger

purchase intent. Notably, influencer marketing continues to grow as a mechanism for economic influence, with micro-influencers proving more effective than traditional celebrities in shaping trust. The authenticity and relatability of content shared by everyday users have emerged as key drivers of brand equity in the digital age. Fourth, platform-specific behaviour significantly moderates these effects. Twitter and Reddit are dominant in investment-focused discussions, offering quick, concise updates and community-driven insights. In contrast, Instagram and TikTok play a larger role in consumer product discovery and lifestyle-based economic decisions. YouTube functions as a hybrid space, influencing both financial education and product marketing. The selection of platform influences not just the type of content but also its reach, emotional impact, and credibility as perceived by the audience. Overall, the findings illustrate that social media has become deeply embedded in the decision-making infrastructure of modern consumers and investors. It operates not merely as a communication tool but as a behavioural catalyst, reshaping how information is interpreted and acted upon. The convergence of technology, emotion, and community in these digital spaces is redefining how economic value is perceived and pursued.

6. DATA INTERPRETATION

The interpretation of findings from this literature-based analysis reveals a dynamic and reciprocal relationship between social media content and economic behaviour. Social media does not merely reflect public sentiment—it actively shapes and amplifies it, creating feedback loops that influence both individual and collective decision-making processes. This section examines the interconnected roles of sentiment generation, algorithmic amplification, demographic variations, and platform-specific dynamics in shaping economic and investment outcomes. One of the most salient patterns identified is the emergence of feedback loops between online sentiment and financial markets. Social media users, particularly in investment-related forums such as Reddit's r/Wall street Bets or FinTwitter, generate emotionally charged content that influences other users' perceptions and actions. When sentiment trends converge—such as widespread optimism or panic—they can significantly sway market movements. In turn, these market changes are reported back on social platforms, often fuelling additional commentary and speculation. This cyclical pattern suggests that social media serves as both a predictor and a consequence of market behaviour, blurring the lines between information dissemination and market influence. Algorithmic processes also play a critical role in this feedback system. Social media algorithms prioritize content that generates high engagement, which often correlates with emotionally extreme or controversial posts. As a result, sensational financial content—whether accurate or speculative—receives amplified visibility. This not only affects the behaviour of less-experienced investors but can also trigger broader discussions that influence institutional strategies. In the consumer context, algorithmically boosted brand content or viral reviews can drive sudden surges in product demand, stock valuations, or brand sentiment. From a demographic perspective, generational differences further influence how users engage with financial and economic content on social platforms. Younger users (Gen Z and Millennials), who are more digitally fluent and socially connected, are found to rely more heavily on social media as a primary source of financial information and economic decision-making. In contrast, older demographics, while increasingly adopting digital tools, tend to exhibit more scepticism toward social content and are more likely to cross-verify information with traditional sources. This divergence has strategic implications for marketers and policymakers seeking to influence behaviour across age groups. The interpretation of platform-specific effects also provides valuable insights. Twitter and Reddit are high-velocity platforms where financial discourse evolves rapidly, often in real time. These platforms are favoured for investment decisions due to their brevity and user-driven analysis. On the other hand, Instagram and TikTok cater to more visually oriented and lifestyle-driven economic behaviours, such as consumer purchases or brand evaluations. YouTube, functioning as a longer-form content platform, is used both for educational purposes and deep-dive financial analysis. Recognizing these distinctions is vital for designing effective communication and engagement strategies tailored to the platform and its users. Moreover, the role of artificial intelligence tool**s** in interpreting social sentiment is critical. These tools, especially when embedded into trading algorithms or marketing dashboards, help decision-makers distil vast quantities of unstructured content into actionable insights. However, the use of AI also raises ethical concerns related to data privacy, content bias, and manipulation risks—especially when public sentiment is intentionally steered through coordinated misinformation. In sum, the interpretation reveals a complex ecosystem where digital expression, technology, and human behaviour co-evolve. Understanding this interplay is essential for anticipating market reactions, designing responsive policies, and ensuring informed decision-making in a digital-first economy.

7. CONCLUSION

This research provides a comprehensive examination of the ways in which social media platforms influence economic and investment decision-making in the digital age. Through a thematic review of recent literature, the study has demonstrated that platforms like Twitter, Reddit, Instagram, and TikTok are no longer peripheral to financial markets and consumer economies; instead, they are integral to how information is disseminated, how sentiment is formed, and how decisions are made. Whether through the viral amplification of financial discussions or the nuanced influence of user-generated product reviews, social media has emerged as a powerful behavioural driver across both retail investment and consumer contexts. One of the most significant takeaways is the realization that social media acts as both a mirror and a motor of market sentiment. It reflects prevailing economic emotions while simultaneously reinforcing and escalating those sentiments through algorithmic amplification and communal validation. The study found that real-time, emotionally charged content—especially when it resonates with large online communities—can substantially influence stock prices, investment flows, and brand reputations. This dual function challenges traditional assumptions about market rationality and highlights the need to reconsider the role of non-traditional data in financial forecasting. Equally important is the emergence of artificial intelligence and machine learning tools as facilitators of social

sentiment analysis. These technologies allow for the translation of qualitative online expressions into quantitative indicators, which are increasingly being integrated into trading algorithms and business intelligence systems. Models that incorporate social sentiment data—particularly those using tools like VADER, SenticNet, or deep learning approaches such as LSTM—have shown superior performance in predicting market trends compared to those relying solely on historical financial metrics. This integration signifies a paradigm shift in how financial data is understood and utilized. On the consumer side, findings reveal that trust and authenticity are critical in determining how social media content influences economic decisions. Peer recommendations, micro-influencer endorsements, and genuine user experiences carry greater weight than traditional advertisements or celebrity promotions. Brands that manage to create meaningful, transparent, and interactive content tend to perform better in building customer loyalty and economic value over time. Despite these advances, the study also uncovers several challenges and limitations. There is a growing risk of misinformation and emotionally manipulative content distorting decision-making, particularly during periods of economic uncertainty or crisis. Additionally, the ethical implications of algorithmically curated content—such as privacy breaches, filter bubbles, and behavioural nudging—warrant further investigation. Policymakers, technology developers, and financial institutions must therefore work collaboratively to ensure that the use of social media and AI in economic contexts remains transparent, responsible, and inclusive.

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