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# Evaluating the Influence Factors of Media on Investor Sentiment Towards Stock Market Investments.

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**Abstract:** This research paper explores the intricate relationship between media exposure and investor sentiment within the context of stock market investments. The stock market is a complex financial ecosystem where investor decisions are significantly influenced by various external factors, with media playing a pivotal role in shaping investor sentiment. This study aims to provide a comprehensive analysis of the multifaceted impact of media on investor sentiment, offering insights into its potential consequences for market behavior and stability. The study developed a conceptual framework that elucidates the mechanisms through which media channels, such as news outlets, social media platforms, and financial blogs, transmit information and shape investor attitudes. This research paper offers a holistic examination of the influence of media on investor sentiment towards stock market investments. It combines quantitative and qualitative methodologies to provide a nuanced understanding of the mechanisms at play and the potential consequences for financial markets.

**Key words:** Investor sentiment, Financial market, Market behavior, Stock market investments,

## I. Introduction

The financial markets are highly influenced by a wide range of factors, including economic indicators, geopolitical events, corporate performance, and investor sentiment. Among these factors, media sentiment has emerged as a significant driver in shaping investor perceptions and decision-making processes. Media sentiment refers to the collective tone and sentiment expressed in financial news articles, social media posts, analyst reports, and other forms of media communication that can influence investors' attitudes towards stock market investments.

This research study aims to evaluate the influence of media sentiment on stock market investments. The study seeks to explore the impact of positive and negative media sentiment on investor behaviour, stock prices, trading volumes, and market volatility. By understanding the role of media sentiment in shaping investor sentiment and market movements, this research seeks to provide valuable insights for investors, financial analysts, and policymakers to make informed decisions in the dynamic and unpredictable financial markets.

## II. Review of Literature

**David C. Broadstock , Dayong Zhang (2019)** In this study, an examination is conducted to determine whether pricing power towards the stock market can be ascertained from sentiment extracted from social media, specifically Twitter. The primary focus of this analysis is the evaluation of whether the intraday stock returns of firms are influenced by sentiment expressed either about the individual firm or about the broader financial market. By employing intraday high-frequency stock return data for a selected group of US companies, it is demonstrated that price dynamics are indeed influenced by factors related to sentiment expressed on social media platforms. The significance of such sentiment, whether it pertains to the specific firm or the broader financial market, varies and plays a role in shaping these price dynamics.**Atkins, M Niranjan, E Gerding -** The Journal of Finance and Data Science, 2018 **-** Elsevier The behaviour of time series data from financial markets is influenced by a rich mixture of quantitative information from the dynamics of the system, captured in its past behaviour, and qualitative information about the underlying fundamentals arriving via various forms of newsfeeds. Pattern recognition of financial data using an effective combination of these two types of information is of much interest nowadays, and is addressed in several academic disciplines as well as by practitioners. Recent literature has focused much effort on the use. **Zachary McGurk, Adam Nowak & Joshua C. Hall 2020** The behavioural finance literature has found that investor sentiment has predictive ability for equity returns. This differs from standard finance theory, which provides no role for investor sentiment. We examine the relationship between investor sentiment and stock returns by employing textual analysis on social media posts. We find that our investor sentiment measure has a positive and significant effect on abnormal stock returns. These findings are consistent across a number of different models and specifications, providing further evidence against non-behavioral theories.**Peiran Jiao , André Veiga , Ansgar Walther (2020)** studied the effect on stock volatility and turnover of coverage by traditional news media and social media. They found that coverage by traditional news media predicts decreases in subsequent volatility and turnover, but coverage by social media predicts increases in volatility and turnover. They showed that these patters are consistent with a model of "echo chambers", where social networks repeat news, but some investors interpret repeated signals as genuinely new information. **Emanuele Bajo, Carlo Raimondo (2017)** During an IPO the issuing firm experiences a dramatic visibility shock caused by a large amount of information released to the public. In this context the media play a pivotal role in conveying information to investors who mostly rely on second-hand and simplified news. We argue that the way in which news is presented may shape retail investors' beliefs and in turn drive the demand for share and first-day returns. Based on over 2800 US IPOs and over 27,000 newspaper articles we show that (a) positive tones are positively associated

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with IPO under-pricing; (b) this effect is stronger when news is reported close to the IPO date or (c) by more reputable newspapers.

**Statement of The Problem**

The influence of media sentiment on stock market investments has become a significant area of interest in the realm of finance and behavioural economics. Media sentiment, as reflected in financial news articles, social media content, analyst reports, and other forms of media communication, can sway investor perceptions and decision-making, potentially impacting stock prices, trading volumes, and market volatility. Despite its importance, the precise extent and nature of the influence of media sentiment on stock market investments remain largely unexplored. Therefore, the primary problem addressed in this research study is to evaluate the influence of media sentiment on stock market investments.

**Objectives**

To understand the impact of social media influential factors of respondents and Investor Sentiment.

To analyses the Impact of Sentiment on Stock Market Volatility based on influential factors of Media.

To analyze the impact on investor sentiments towards influential factors of social media.

To provide suggestion as per the result of the study.

**Need of The Study**

Media sentiment has the potential to shape investor perceptions, emotions, and decision making processes. By studying the influence of media sentiment on stock market investments, the research can provide valuable insights into how media communications impact investor behavior, leading to buy or sell decisions, portfolio adjustments, and overall market participation.

**Hyphothesis**

H0: There is no significant differences among influential factors of social media and investor sentiment towards investment in stock market.

H1: There is a significant difference among influential factors of social media and investor sentiment towards investment in stock market

**III. Research Methodology**

This is a descriptive study aimed at analyzing the perception of individuals or investors regarding the influence of media sentiment on stock market investment. Although the target sample size was 100, based on a convenience sampling design, only 86 valid responses were received and considered for the analysis.

**Data Collection and Application of Statistics**

This study used both primary and secondary data. The primary data was collected by use of a structured questionnaire using the Likert scale. The targeted respondents in this study were individuals and firms. The researcher administered the questionnaire to one respondent giving a total of 16 questionnaires consisting of open-ended and close- ended questions.. In descriptive statistics, the study used mean, median, mode, standard deviation, and range. In Inferential statistics, the study used one-way ANOVA to determine the relationship between the variables

**Limitations of The Study**

The study is limited to a particular city only the study would not necessarily be generalizable to the entire population.

Only few samples will be collected for this study.

The study is limited to a particular period and the study is only focused on few data set

The representatives of the findings may not represent an accurate picture of the relationship between media sentiment and stock market investments.

**Discussion: Data Analysis and Interpretation**

Table 1: Reliability Analysis

| **Reliability Statistics** | |
|---|---|
| | **Cronbach's α** |
| Scale | 0.787 |

The Cronbach's α value of 0.787 for the scale, which is used to evaluate the influence of media on investor sentiment towards stock market investment, provides some insights into the reliability of the measurement instrument in the context of the study. a Cronbach's α value of 0.787 indicates that the scale is reasonably reliable for assessing the influence of media on investor sentiment

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towards stock market investment. However, consider the specific needs and goals of the study when interpreting this value and potentially making improvements to the measurement instrument if necessary

Table 2 Gender and Age Respondents

| **Gender** | **FREQUENCY** | **PERCENTAGE%** |
|---|---|---|
| Male | 52 | 60 |
| Female | 34 | 40 |
| **Total** | 86 | 100 |

| **AGE** | **FREQUENCY** | **PERCENTAGE%** |
|---|---|---|
| Below 20 | 30 | 35 |
| 20-40 | 34 | 40 |
| 40-60 | 18 | 21 |
| Above 60 | 3 | 3 |
| **Total** | 86 | 100 |

Table show that, out of 86 respondents surveyed,60% of respondents are male and remaining 40% are male. The majority of the respondents are male. In Age, Table shows that, out of 86 respondents surveyed, the maximum number of respondents are between the age of 20-40 at 40%. 35% of them are below the age of 20. 21% of them are aged between 40-60. And remaining 4% of them fall under the age group of above 60

Table:3 Annual Income and Experience in Trading

| **Annual income** | **FREQUENCY** | **%** | **EXPERIENCE TRADING** | **FREQUENCY** | **%** |
|---|---|---|---|---|---|
| | | | | | |
| Below 500000 | 29 | 34 | Beginner | 30 | 35 |
| 500000-750000 | 30 | 35 | Amateur | 34 | 40 |
| 750000- | 24 | 28 | Expert | 22 | 26 |
| 1000000 | | | Total | 86 | 100 |
| Above 1000000 | 3 | 3 | | | |

Table show that, out of 86 respondents surveyed, majority of the respondents fall between the income level of 500000-750000 at 35% . 34% fall below 500000 and 28%between 750000-1000000. And remaining 3% are above 1000000. Eperience in Trading table show that, out of 86 respondents surveyed, majority of the respondents 39% are amateurs and 35% falls under beginner category and 26% expert in trading.

Table 4 Age and Influential factors of Respondents

| | **AGE** | **Mean** | **SD** | **F VALUE** | **Sig. value** |
|---|---|---|---|---|---|
| | Below 20 | 2.13 | 0.516 | | |
| **Awareness** | 20-40 | 2.3 | 0.728 | | |
| | 40-60 | 2.12 | 0.44 | 0.871 | 0.46 |
| | Above 60 | 2.6 | 1.51 | | |
| **Perception** | Below 20 | 2.27 | 0.654 | | |
| | 20-40 | 2.41 | 0.809 | | |
| | 40-60 | 1.93 | 0.341 | 2.008 | 0.119 |
| | Above 60 | 2.58 | 1.507 | | |

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| | | | | | |
|---|---|---|---|---|---|
| **Issues** | Below 20 | 2.22 | 0.624 | | |
| | 20-40 | 2.34 | 0.708 | | |
| | 40-60 | 2.07 | 0.553 | 1.249 | 0.297 |
| | Above 60 | 1.73 | 0.945 | | |

The results of the statistical analysis suggest that the data do not support the first hypothesis (H1). Specifically, when we look at the average values of awareness, perception and problems by age group, there do not seem to be any significant differences that could be attributed to age These results suggest that age is not a key factor in explaining differences in investors' awareness, perceptions, and concerns about media emotions in our study.

Table 5: Experience and Influential factors of Investor sentiments

| | **EXPERIENCE** | **Mean** | **SD** | **F VALUE** | **Sig. value** |
|---|---|---|---|---|---|
| **Awareness** | Beginner | 2.16 | 0.671 | | |
| | Amateur | 2.25 | 0.601 | | |
| | Expert | 2.25 | 0.673 | 0.176 | 0.839 |
| **Perception** | Beginner | 2.18 | 0.679 | | |
| | Amateur | 2.34 | 0.736 | | |
| | Expert | 2.27 | 0.775 | 0.363 | 0.697 |
| **Issues** | Beginner | 2.16 | 0.604 | 0.806 | 0.45 |
| | Amateur | 2.33 | 0.728 | | |

The F-values and associated significance values (Sig. value) suggest that experience does not have a statistically significant effect on these factors. Specifically, for awareness, there was no significant difference in the average scores of the three experience levels, p = 0.839, indicating no statistical significant.

**IV. Result on the study**

The largest proportion of the sample size 86 respondents, the maximum number of respondents are between the ages of 20-40 at 40%. 35% of them are below the age of 20-21% of them are aged between 40-60. And remaining 4% of them fall under the age group of above 60.

In contrast, 60% identify as male out of 86 respondents, indicating a significant male presence in the surveyed group, while female respondents make up comparatively a smaller proportion, constituting 40% respondents. There is no significant relationship between investor awareness, perception, and issues of media sentiment with respect to age. These results suggest that age is not a key determinant in explaining differences in investor awareness, perception, and concerns regarding media sentiment in this research study. But Income levels do not appear to have a significant relationship with investor awareness and perception. However, there is a suggestive, albeit not statistically significant, relationship between income and investor concerns about market volatility.

**V. Conclusion and Suggestion**

The study aims to investigate the impact of media sentiment on stock market behaviour and investor decision-making. Aims to investigate the impact of media sentiment on stock market behaviors and investor decision-making. to analyse how media sentiment influences investor behavior, stock price movements, trading volumes, and market volatility. By examining the relationship between media sentiment and trading activities, the research aims to identify whether positive or negative media sentiment prompts investors to buy or sell specific stocks, adjust their investment strategies, or engage in herding behavior.

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