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The Effects of Social Media on Investment Decisions within an Online Community

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The Effects of Social Media on Investment Decisions Within an Online Community

This case study examined the effects of social media on investment decisions within an online community. The problem was the use of misinformation by inexperienced investors to make investment decisions, with investors making investment decisions based on misinformation. Data was gathered through an online questionnaire administered through one-on-one interviews with members from an online financial community. Twenty participants were gathered; responses were analyzed for recurring themes. Results validated a relationship between social media and investment decisions exists. A strongly recurring theme was that individual investors use social media as a resource to seek out potential investment ideas and make investment decisions by gauging investor sentiment and comparing their ideology with online community behavior. Implications are that individual investors are influenced by the behavior and actions of others on social media; schools and employers should provide financial literacy courses to educate individuals on proper investing.

Keywords: online investing, social media influence, investment decisions, online behavior

1-Introduction

Since its inception, the stock market has become the central location for publicly traded companies to offer shares to the public for trading ("Definition of Stock Market," n.d.). As a result, this notion has allowed the public to invest, own, and profit from a desired company through purchasing and owning shares of stock (U.S. Securities and Exchange Commission, 2022). With the rapid growth of social media, individuals and companies can communicate and collaborate with one another, which has deemed social media as a primary source for information. As a result, much of the information shared on social media is being used to make investment decisions (Abu-Taleb & Nilsson, 2021).

Volatility and random fluctuations are common characteristics of market behavior. The tools used to predict the future stock price of an individual security or of the broader market is done through conducting either fundamental and/or technical analysis (Thakkar & Chaudhari, 2021). Differentiating between a credible, reputable source and misinformation has become challenging (Hu & Tripathi, 2016). The ability of social media platforms to influence the trends in a company's share price, and the psychological and behavioral effects among investors is extremely high. Investment decisions are partly driven by sentiment, and as a result, social media has amplified those effects on a massive scale (Zhang et al., 2018). Individual investors are more prone to being influenced by social media on their investment decisions. Social media does impact individual investors differently when compared to more sophisticated investors, such as those from financial institutions, who see little to no impact on their investment decisions. This notion is caused by the ability of social media platforms to "push" information to less sophisticated investors, making the information easier to access (Siikanen et al., 2018).

However, the mechanism behind what drives investor behavior has not been clearly identified. According to F&C Investment Trust, from the summer of 2020 to summer of 2021, 16% of gen Z's have started investing. Of those, 62% decided to invest in riskier assets "Meme stocks/Reddit stocks," making it a clear indication that individual investors seek social media for financial advice (Kolostyak, 2021).

1.1-Purpose of the Study

The purpose of this qualitative case study was to understand the effects of social media on investment decisions within an online community.

1.2-Theoretical Framework

The social learning theory served as the theoretical framework for this study. The social learning theory emphasizes the importance of observing and modeling the behavior of others that occurs within a social context (Bandura, 1971). Bandura proposed that social learning involved individuals learning from one another through direct communication and through the observation of behavior. As a result, this leads to individuals mimicking the behavior of others, both positively and negatively. The ability for individuals to use social media as a financial resource allows them to become active within a community, which leads to sharing ideas on investments. This notion has allowed investment decisions to be influenced by others. Investor behavior is largely driven by what other investors are doing, in hopes of replicating the same results (Maknickienė et al., 2021).

2-Literature Review

A brief overview is provided on the influence of social media on investing, which highlights the digitalized environment and the manner in which social media has changed the landscape of investing. The manner in which retail investors use social media to access information is discussed, outlining the factors that impact their decision-making.

2.1-Influence of Social Media on Investing

The stock market greatly impacts economic and social organizations with the ability to buy and sell securities; in addition, given the ability to buy and sell shares of stock has allowed investors to partake in predicting movements of individual share prices and the stock market as a whole (Abu-Taleb & Nilsson, 2021; Thakkar & Chaudhari, 2021). The use of social media has transformed the way individuals communicate, allowing open access to a vast amount of information, as the goal of social media is to connect people from all over the world into a virtual community. As newer generations become more technologically inclined and actively use social media, investors are enticed to exchange investment ideas and strategies over various social media platforms (Pyun, 2021). Social media has become a part of daily life, which has the potential to influence investor behavior by creating a digitalized trading environment (Aggarwal, 2021).

Due to the limitation of resources, individual investors are enticed with the ability to create connections through social media with other non-professional traders in order to mimic their investment ideas. Aggarwal (2021) stated social media has become a popular source among individual investors to gauge market sentiment by analyzing Facebook posts and tweets; approximately 30% of investors obtain information about an investment through social media, providing a diverse quality of users. Al-Fedawi (2021) reiterated that most investors heavily rely on advice directed towards them through social media, as they believe positive comments predict the future returns of securities, influencing their decision to buy or sell. Less sophisticated investors potentially benefit from the use of social media for investment advice, as information is essentially "pushed" to them, making it easier to access; companies are less likely to disseminate bad information on social media (Siikanen et al., 2018). Wang et al. (2022) found that the average investor uses 2.8 channels to obtain information, social media accounting for a large portion with 47.6% of users accessing information via cell phones and 42% via computers; as stated by Abu-Taleb and Nilsson (2021), accessibility is a driver for individual investors to use social media for their investment decisions. Many companies now use social media to disseminate earnings-related news, which investors rely on as fundamental data.

Social media has changed the landscape of investing into a more digitalized practice. Individual investors are enticed by posts and comments from influencers and celebrities on social media platforms in order to make investment decisions; more social media activity triggers more retail trading (Hu et al., 2021). Individual investors are actively seeking a faster and more efficient method of accessing information to make investment decisions, causing many investors to demonstrate similar tendencies in regard to using social media as an investment tool (Abu-Taleb & Nilsson, 2021).

2.2-Tendencies of Retail Investors

Due to cost and lack of resources, retail investors use social media for the majority of information to make investment decisions (SEC, 2021). Jia et al. (2020) identified retail investors as being susceptible to information from social media for their investment decisions, as social media widens the spread of misinformation, which essentially lowers the cost of obtaining such information; social networking creates a persuasion bias for many retail investors, as repeated encounters of the same information tend to add a false sense of validity.

Many retail investors believe the information directed to them on social media predicts the future returns of a given asset, which influence their decision-making process. Despite the inexperience and inability to decipher between factual and misinformation, retail investors have the tendency to believe financial wealth can be achieved overnight by investing in the latest hot stock (Jia et al., 2020; SEC, 2021).

2.3-Social Media and the Evolution of Meme Stocks

In January 2021, the meme stock social phenomenon was born, orchestrated by a following of retail investors on social platforms, and has since changed the outlook of investing into speculation for many retail investors by using social media as a platform to dictate trading strategies; social media platforms have greatly impacted the financial markets around the globe (Costola et al., 2021). With the use of social media, individual investors are looking to capitalize on behavior that spreads from person to person in hope of generating substantial profits, none of which is based on fundamental analysis, also referred to as noise trading; noise trading generally follows trends, while putting little to no emphasis on fundamental data (Schaeffer's Investment Research, 2021; SEC, 2021).

Meme stocks are classified as stocks that exhibit extreme volatility and price swings, not necessarily driven by fundamentals or news; meme stocks attract young and inexperienced investors and are primarily driven by irrational behavior, influenced by social media. As investors seek investment strategies from social media, the superficial price of a stock created by viral engagement will likely see a rapid decline shortly after its peak, leading to substantial losses; the meme stock phenomenon is not platform specific, as many individual investors will gain market sentiment by participating in online discussions on various social media platforms (Costola et al., 2021; Schaeffer's Investment Research, 2021). Bunting (2021) and the SEC (2021) reiterated that social media continues to serve as a main source for investing advice, specifically for investors 40 years of age or younger; as concern rises over social media platforms being used to spread false or misleading information, which may lead to significant investment losses.

2.4-The Pitfall of Herd Behavior

The ability of connecting with other investors through social platforms allows for ideas and opinions to be shared on various investments, but as a result many retail investors find themselves being influenced by social media to follow the crowd, as investor behavior is largely driven by what other investors are doing; this notion has led to an increase in herd behavior. Herd behavior is the concept of market participants trying to replicate the actions of other investors by deviating from their own ideas to make decisions that are consistent with group behavior, with the belief that others have superior information (Maknickienė et al., 2021). Herding can be either rational or irrational, largely driven by market sentiment and information cascades; in addition, herding can be demonstrated towards the general market trend or particular set of stocks. With the use of social media, herd behavior has been amplified due to direct communication on social networks; individual investors are easily influenced by social peers to make similar financial investments (Wang & Wang, 2018).

Herd behavior influences investor's ability to decipher between facts and misinformation, as investors base their decisions on what others are buying, assuming they have a better perspective or inside information; this behavior is attributed to factors such as lack of information, perception of others to be more informed or experienced, and the inability to analyze financial information. Moreover, herd behavior can be irrational, which drives stock prices away from fundamental values, creating excess volatility and risk (Chen & Griffin, 2022).

Herd behavior is common among young and inexperienced investors who are looking to make a substantial return on their investment; however, low financial literacy makes them vulnerable to distorted messages spread on social media platforms. Similarly, inexperienced investors often do not allocate the required amount of time to research a particular asset when making an investment decision, and therefore rely on insufficient information gathered from social media platforms to draw conclusions, ideally in favor of the overall consensus of the crowd (Maknickienė et al., 2021; Nijboer, 2021).

3-Research Methodology and Design

The following research questions set the foundation for this study:

RQ1 Under what conditions is the information from social media considered for investment decisions by individual investors.

RQ2 What are the contributing factors within an online community that affect investment decisions?

RQ3 How does online community behavior affect investment decisions?

This qualitative case study was conducted using a thematic analysis. A thematic analysis is the process of identifying themes and patterns within the data to address a particular phenomenon (Maguire & Delahunt, 2017). In this qualitative case study, the effects of social media on investment decisions were analyzed by identifying patterns within the results of multiple interviews from individuals within an online community. Furthermore, the end goal of this study was to identify a behavioral pattern among individual investors to draw a generalization on the mechanism behind investor behavior.

The data gathering process for this study was completed through conducting semi-structured, one-on-one interviews with members from an online community.

Individuals from within the online community were asked for their willingness to participate in the study. Twenty volunteers from the online community participated. Interviews were conducted via Zoom, where specified questions and a conversational interaction took place. Upon completion of each interview, the process of transcribing the participants responses was completed.

The data analysis process was conducted upon completion of all interviews. The transcribed data was input into the NVivo software for coding and analysis. The process known as data saturation helped determine if further data collection was needed. Upon gathering sufficient data, the analysis continued in order to develop common themes found within the data. Themes were derived from coding and category development. Coding and category development identified concepts and similarities that helped draw a generalization from the data collected.

3.1-Instrumentation and Procedures

A questionnaire created by Abu-Taleb and Nilsson (2021; see Appendix), in which permission was granted, was used to address the proposed study. Interested participants were asked to send a direct message to setup a date and time for the Zoom interview to take place. Once all interviews were conducted, the interviewees responses from the questionnaire were transcribed to organize the data obtained to find common themes within the participants responses using the NVivo software. The data was used to identify themes that provide a generalization to the mechanism behind investor behavior when using social media to make investment decisions.

3.2-Limitations

Focusing on an online community served as a limitation for this study as the broader spectrum of investors on other social media platforms were not considered. The individual investors within an online community are more likely to demonstrate financial awareness when it comes to investing, potentially limiting the negative impact of using social media to make investment decisions. An additional limitation includes solely focusing on stocks and not including cryptocurrencies, bonds, real estate, or any other type of financial investment. This research study was limited to individual investors as it did not include institutional investors.

4-Results

Twenty individual investors who belonged to an online financial community participated in the qualitative research study. The qualitative study collected data from the participants and the responses were categorized into themes based on commonalties. All responses were reviewed to ensure relevant information was included. Themes were derived using the NVivo software, where responses were reviewed for common words, phrases and synonyms that frequently occurred. The keywords and phrases indicated that a recurring theme was relevant to the study; therefore, those keywords and phrases were used as a basis for answering the proposed research questions of the study. A theme was identified as significant and reported if at least 30% of the participants (30%, n=6) contributed responses to the theme.

Demographical information was collected for each participant of the study. Included in Table 1 is an overview of the demographic information collected. Of the 20 participants, three were female and 17 were male. Seventy percent of participants were between the ages of 26-45. For education level, 90% of the participants had obtained a college degree, with 35% having been in the field of business. The majority of participants had at least three years of investing experience, accounting for 85% of the sample size.

Table 1

Demographics

Participants Demographic Information

Participants	Gender	Age	Annual Income	Education Level	Are You a Business Graduate?	Years of Investing Experience
P1	Female	55+	More than $100,000	Bachelor's Degree	No	10+ years
P2	Female	36-45	$50,000 - $100,000	Bachelor's Degree	Yes	1-2 years
P3	Male	46-55	More than $100,000	Some College, no degree	No	10+ years
P4	Male	46-55	$50,000 - $100,000	Master's Degree	No	3-5 years
P5	Male	36-45	$50,000 - $100,000	Master's Degree	No	6-10 years
P6	Male	55+	More than $100,000	Bachelor's Degree	Yes	10+ years
P7	Male	36-45	More than $100,000	High school or below	No	3-5 years
P8	Male	26-35	More than $100,000	PhD or higher	No	6-10 years
P9	Male	36-45	More than $100,000	Bachelor's Degree	No	3-5 years
P10	Male	26-35	$50,000 - $100,000	Master's Degree	No	1-2 years
P11	Male	36-45	More than $100,000	Bachelor's Degree	Yes	10+ years
P12	Male	36-45	More than $100,000	Bachelor's Degree	Yes	10+ years
P13	Male	26-35	$25,000 - $50,000	Master's Degree	Yes	6-10 years
P14	Male	26-35	More than $100,000	Bachelor's Degree	Yes	3-5 years
P15	Male	26-35	More than $100,000	Master's Degree	No	3-5 years
P16	Female	26-35	$50,000 - $100,000	Master's Degree	No	Less than 1 year
P17	Male	55+	$15,000 - $25,000	PhD or higher	No	10+ years
P18	Male	26-35	$50,000 - $100,000	Master's Degree	Yes	3-5 years
P19	Male	18-25	$50,000 - $100,000	Bachelor's Degree	No	3-5 years
P20	Male	36-45	$25,000 - $50,000	Bachelor's Degree	No	10+ years

4.1-Research Question 1

Under what conditions is the information from social media considered for investment decisions by individual investors? Participants indicated two conditions that must be met for information from social media to be considered for investment decisions, as seen in Table 2.

Table 2

Social Media Considerations

Theme	Number of participants contributing to theme	% of participants contributing to theme (*n*=20)
Validity of context provided	11	55%
Fundamental and technical analysis	9	45%

4.1.1-Theme 1: Validity of Context Provided

Eleven out of 20 participants reported the validity of the context provided was used to determine if the information from social media would be considered for investment decisions. The participants method for validating the context provided was done by assessing the credibility of the individual sharing the information on social media and comparing the information to the overall consensus. Participant 1 acknowledged, “looking at professionals only.” Participant 3 added, “I discount everyone's opinion at first glance unless they are backing it up with facts or charts.” Participant 5 agreed, “This is where I am very careful. I don't listen to people who are selling something.” Participant 8 was selective, “I stick to the few I have trusted for a long time. Anyone less than 40 years old is typically muted.” For Participant 15, validation was needed, “If I can verify their advice is good.” Participant 18 reiterated that information on social media must be validated by data, “If they are actually showing data and why they believe a stock will do good and their research.” Overall, 55% of participants agreed that the information provided on social media must be validated in order to be considered for investment decisions.

4.1.2-Theme 2: Fundamental and technical analysis

Nine out of 20 participants indicated fundamental and technical analysis as a condition that must align with the information from social media to be considered for investment decisions. On assessing the fundamental value of a recommended investment, Participant 1 focused on the company's, "dividend amount, company income, and graphs." Participant 2 attributed the use of technical analysis to, "reading charts and positioning myself for entries and exits." Meanwhile, Participant 5 assessed the fundamental value of a recommendation through comparing the stock price to the market value, "If a certain commodity or company has a cheaper stock price than what it takes to produce the commodity or its net present value; I will buy." Participant 11 stated, "I look at fundamentals and technical analysis. If I don't see what they do, I'm sitting on my hands." Participant 12 agreed, "I look at social media buzz as a whole. It's just one indicator and not the most important one. So, I would look at the stock the same way I would if I heard about it in an article or on YouTube; Fundamental analysis, then technical analysis." Participant 18 used the information provided on social media for comparing their technical analysis, "It helps me compare my technical analysis to others and see if things are aligned." Thus, 45% of participants mentioned fundamental and technical analysis as a condition that must align for information on social media to be considered.

4.2-Research Question 2

What are the contributing factors within an online community that affect investment decisions? Participants indicated two contributing factors within an online community that affect investment decisions, as seen in Table 3.

Table 3

Contributing Factors

Theme	Number of participants contributing to theme	% of participants contributing to theme (n=20)
Insights provided	13	65%
Credibility of the source	7	35%

4.2.1-Theme 3: Insights Provided

Thirteen out of 20 participants indicated the insights provided within an online community affected their investment decisions. Participant 2 attributed fear of missing out (FOMO) and the possibility, “They might know more than me” from the insights provided. Adding to this notion, Participant 9 stated, “I have bought a stock when multiple social media accounts talk about it.” Participant 10 added in agreement, “They may have more knowledge about a stock, that they can offer to help make a decision.” In alignment, Participant 17 stated “It helps me pick up right sectors.” Participant 20 indicated using the insights provided “Mostly to get ideas or back up other things I've seen.” Thus, 65% of participants mentioned the insights provided within an online community as a factor that affected investment decisions.

4.2.2-Theme 4: Credibility of the Source

Seven out of the 20 participants indicated the credibility of the source within an online community affected their investment decisions. Participant 12 stated “we are in a world of numbers. Couldn’t care less about other people's opinions to be honest. I'm looking for information, not opinions.” In agreement, Participant 16 added, “Would not buy unless I research what the “influencer” is promoting.” Participant 17 was focused on the analysis presented for a particular set of assets, “credibility, some common thoughts about the sector.” Participant 18 stated, “Depending on the person and the reputation and if the information aligns correctly. If they are actually showing data and why they believe a stock will do good and their research. I usually dig and see if a person is only giving their opinion versus what the trends and market is showing.” Thus, 35% of participants viewed the credibility of the source as a contributing factor within an online community that affected investment decisions.

4.3-Research Question 3

How does online community behavior affect investment decisions? Participants indicated two factors from online community behavior that affect investment decisions, as seen in Table 4.

Table 4

Online Community Behavior

Theme	Number of participants contributing to theme	% of participants contributing to theme (*n*=20)
Awareness	14	70%
Investor sentiment	6	30%

4.3.1-Theme 5: Awareness

Fourteen out of 20 participants indicated that online community behavior raised awareness for investments. Participant 3 stated, “It's great for awareness but the chart and info must check off boxes for me.” Participant 6 added, “Others advice is only a catalyst for me to maybe look at a stock.” Two participants agreed online community behavior is a catalyst for researching investments; Participant 8 stated, “Brings attention to equities worth researching and strategies to implement.” Participant 15 added, “It makes me research the company. I like seeing what people are looking at to help me focus on something.” Participant 16 stated, “It exposes me to new things and if I agree with what they’re saying, I then research about it.” Thus, 70% of participants indicated online community behavior raised awareness for investments.

4.3.2-Theme 6: Investor Sentiment

Six out of 20 participants indicated that online community behavior was analyzed to gauge investor sentiment. In gauging investor sentiment through online community behavior, Participant 7 stated, “To compare how that opinion compares to mine.” Participant 8 compared investment decisions with others in the online community, “Depends on if I agree with their decision making.” Participant 9 gauged investor sentiment by the “number of people talking about the stock.” Participant 12 believed “Market buzz is a nice indicator: trends, most discussed topics, overall mentions etc.” Participant 19 added, investor sentiment was compared, “to the ones that match your own ideology.” Thus, 30% attributed online community behavior to investor sentiment.

5-Evaluation of the Findings

The study was consistent with Albert Bandura’s social learning theory, which established patterns of behavior are acquired through observing the actions of others (Bandura, 1971). Bandura (1971) recognized that people learn through watching others and determine the best course of action based on the results that are achieved. Banduras’ social learning theory was the framework used to explore the research questions of “Under what conditions is the information from social media considered for investment decisions by individual investors?” “What are the contributing factors within an online community that affect investment decisions?” and “How does online community behavior affect investment decisions?” The following themes were derived from the responses: validity of context provided, fundamental and technical analysis, insights provided, credibility of the source, awareness, and investor sentiment.

Since this study was to explore the effects of social media on investment decisions within an online community, the responses of the participants reflected the factors that impacted their decision-making process when using social media to make investment decisions. The thematic analysis of this study made clear that individual investors within the online community were influenced by the opinions of others. This notion was in alignment with Al-Fedawi (2021) and Pyun (2021) who proved that live interaction between individuals who disseminate information on social media allows for rationalization of investment decisions.

While most participants used social media as a resource to make investment decisions, the more experienced investors emphasized the importance of the context and credibility of the individual providing the information; this aligns with the results from Bukovina (2016) and Talwar et al. (2021) who associate long-term financial security with more experienced investors. Awareness and investor sentiment were also noted as a theme among investor behavior within the online community. Many of the participants used social media to find potential investment opportunities and to gauge overall investor sentiment on certain assets. This theme is in alignment with Aggarwal (2021) and Al-Fedawi (2021) who found that social media has become a popular source among individual investors, as individuals rely heavily on advice directed towards them through Facebook posts and tweets to gauge market sentiment.

Overall, the study found that the main factors that affect investment decisions within an online community were included in the themes, which were: validity of context provided, fundamental and technical analysis, insights provided, credibility of the source, awareness, and investor sentiment. Despite 35% of participants having a business degree, no significant correlation was noted in the responses when compared to non-business graduates. This study reiterates a relationship exists between individuals investment decisions and social media (Abu-Taleb & Nilsson 2021; Aggarwal, 2021; Al-Fedawi, 2021; Siikanen et al., 2018; Talwar et al., 2021; Wang et al., 2022).

6-Implications and Recommendations

The data analysis from the study revealed six themes that addressed the research questions. RQ1 had two themes: validity of context provided and fundamental and technical analysis. RQ2 had two themes: insights provided, credibility of the source. RQ3 had two themes: awareness, and investor sentiment. The implications of the study are organized by each research question, presented with existing literature for analysis and discussion.

6.1-Research Question 1

RQ1 asked about the conditions that must be met for information from social media to be considered for making investment decisions. The majority of participants used social media to seek out opinions and recommendations on investment decisions. More than half, or 11 out of 20 participants, reported the validity of the context provided was a factor in determining whether the information gathered through social media would be considered for making investment decisions. Significantly, the literature review suggested that many individual investors engage in herd behavior, as individuals are likely to follow others blindly. This finding is interesting because despite the validity of the context provided on social media being in question, social media remains a resource that is used among many individual investors.

The second identified theme focused on fundamental and technical analysis. Nine out of 20 participants indicated the information provided on social media needed to align with the fundamental and technical analysis of the given asset. While this is understandable, the literature review outlines the notion that many individual investors do not properly conduct fundamental and technical analysis. As a result, social media investment information is heavily used for confirmation bias.

Therefore, the implications of the findings for Research Question 1 are that although social media can provide a vast amount of investment information and advice, individual investors should remain cautious upon using the information provided for making investment decisions. Individual investors should carefully evaluate the credibility of the individual disseminating the information, along with the validity of the source.

6.2-Research Question 2

RQ2 asked about the contributing factors within an online community that affected their investment decisions. More than half, or 13 out of 20 participants, reported the insights provided within an online community affected their investment decisions. As mentioned, many individual investors seek the opinions of others for confirmation bias. From the literature review, individual investors are inclined to list to others, as they believe that popularity dictates credibility. Also, they have a sense that others may know more than them within a community and therefore, rely on the advice provided. This aligns with the findings of the study which participants acknowledged the insights provided in an online community affected their investment decisions.

The second identified theme focused on the credibility of the source. More than one third, or 7 out of 20 participants, reported the credibility of the source as a contributing factor within an online community that affected their investment decisions. This finding is interesting because it indicates that individual investors are more focused on the validity of the information provided than the credibility of the individual disseminating the information. From the literature review, both components are essential for determining whether the information should be considered for making investment decisions. With the usage rate of social media increasing, many individual investors are bombarded with "influencers" providing vast amounts of information. This finding indicates that individual investors do not put much emphasis on who is providing the information, instead focus on the context of the information itself.

Therefore, the implications of the findings to Research Question 2 are that individual investors are more inclined to listen to those individuals within an online community. There is a belief that individuals within an online community are more credible and have acquired more knowledge and experience. This finding suggests that online communities have the ability to dictate an individual's decision-making process based on the ideas presented.

6.3-Research Question 3

RQ3 asked about the extent to which online community behavior affects investment decisions. More than half, or 14 out of 20 participants, reported online community behavior provided awareness. Individual investors are constantly seeking out new opportunities. As a result, the content that is disseminated through social media in online communities has the ability to bring attention to equities. This notion provides individual investors with exposure to new ideas and concepts, leading them to research and potentially invest in recommended equities. As mentioned in the literature review, individual investors are constantly seeking the next "hot stock," and using the information that is disseminated through social media serves as a catalyst in making investment decisions. The finding indicates the extent to which online community behavior affects investment decisions. Information presented within an online community brings awareness to certain equities, leading individual investors to research an investment recommendation to analyze if their opinion is in alignment with the community.

The second identified theme was investor sentiment. Thirty percent, or 6 out of 20 participants, reported that online community behavior was used to gauge investor sentiment, affecting investment decisions. As mentioned in the literature review, individual investors are inclined to seek out the opinions of others for validation of their ideas. As a result, investors are inclined to gather a consensus of the overall community for a particular investment, prior to making their decision. Using online community behavior to gauge investor sentiment helps investors compare ideas and opinions to others, along with gaining an insight to trending topics, which helps investors form a thesis for their investment decision.

Therefore, the implications of the findings to Research Question 3 are that online community behavior has the ability to affect investment decisions through topics of discussion. Individual investors are inclined to use online community behavior to analyze trends and ideas that are being presented as investment opportunities. Also, online community behavior is used to gauge how other investors are feeling about certain equities, using market buzz as an indicator.

The findings of this study imply that the social learning theory applies to individuals of all ages in various settings. This study demonstrated that the social learning theory applies to individual investors and their investment decisions based on the information and recommendations of others on social media. Bandura (1971) recognized that people learn from watching other people and determining the best course of action based on the results that are achieved. As the findings suggest, individual investors are inclined to observe the results of others before replicating the same strategy, hoping for a similar result.

7-Recommendations for Practice

Social media has served as a resource to many individual investors in seeking advice and recommendations for making investment decisions. Yet, its clear benefits are often overlooked by the vast amount of misinformation that is disseminated on various social media platforms. Individual investors are inclined to listen to the opinions of others, as they feel "influencers" possess the knowledge and experience needed to be a successful investor. Unfortunately, for many individual investors, blindly following the recommendations of others often leads to catastrophic financial losses. Many respondents in this study mentioned using social media to some degree, mainly to seek out the opinions of others to form a thesis for a particular investment.

The behavior of individual investors has been heavily scrutinized, in the literature and in practice. However, individual investors are learning as they invest and applying what is demonstrated across social media platforms. A recommendation derived from this study would be to provide financial literacy courses in schools and the workplace. This would teach individuals the basics of money management: budgeting, saving, debt, investing, etc. Also, tools and resources that help individuals evaluate information and its validity to decipher factual information from misinformation. Financial literacy positively impacts investment behavior, as higher financial literacy results in good financial investing (Tian & Wang, 2022). Social media can provide many individual investors with information overload. Financial literacy is important, especially for newer investors. While social media can provide some knowledge, it is important for every investor to do their own research and make the decisions that benefit their own financial situation.

Social media combined with online stock trading has increased the participation of retail investors by providing quick access to information and ease of purchasing and selling of stocks (Talwar et al., 2021). As a result, many individual investors are prone to investing based on misinformation. Findings of the study showed the impact social media has on investment decisions, as more than half of the participants acknowledged the information disseminated by others on social media. Therefore, the findings of the study can help raise awareness on this ongoing issue and help individual investors become more aware of the potential pitfalls of using social media as a resource for making investment decisions.

7.1-Recommendations for Future Research

Future research should examine the effects of social media among multiple online communities. This would provide for a comparative analysis among investors from multiple communities. This area of future research should address a limitation of this study due to the small sample size. Also, investors of cryptocurrencies, bonds, real estate or any other type of financial investment should be considered. Examining a broader spectrum of online communities and investors would allow for a more in-depth analysis on the effects of social media on investment decisions. This would also help validate whether an online community influences investor behavior.

8-Conclusions

The purpose of this qualitative case study was to understand the effects of social media on investment decisions within an online community. The findings validated that a relationship between social media and investment decisions exists. The findings strongly support the social learning theory, which emphasizes the importance of observing and modeling the behavior of others that occurs within a social context (Bandura, 1971). The findings highlight the importance of financial literacy. As individual investors are highly influenced by the content on social media, it is important for individuals to educate themselves on the potential pitfalls of using social media as a resource for investing. Regardless of experience, the findings of this study apply to all individual investors who seek out information through social media

The problem studied was the use of misinformation to make investment decisions. This study reiterates the notion of individual investors using misinformation to make informed decisions on their investments. Individual investors are shown to follow the advice and opinions of others that align with their own personal views, regardless of the quality of information being presented. This study could serve as a basis for solving the issue by raising awareness on the impact social media has on investment decisions and emphasizing the importance of financial literacy. The most important message to be taken from this study is that individuals are influenced by the opinions and actions of others. As a result, it is necessary for each individual to conduct their own research upon making an investment decision, as this will help form a thesis for their investment; one that fits their own financial situation.

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Appendix

1. Gender
2. Age
3. Annual Income
4. Education Level
5. Are you a business graduate?
6. How long have you been investing?
7. Which social platform(s) do you get your investing information from?
8. Is it important for you to invest in a company that you are familiar with?
9. Is your decision-making process impacted by others?
10. How likely are you to decide on investing in a particular stock based on a recommendation from social media?
11. How does social media impact your decision-making process?
12. Why would you buy and/or sell a stock based on the advice provided by others on social media?
13. What factors do you consider when deciding on investing in a particular stock based on a recommendation from social media?
14. How do you differentiate between the opinions of others that provide investment advice on social media?
15. If the overall consensus on social media differentiates from the opinion of your social group/peers, which are you more inclined to listen to and why?