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The Power of Social Media: Shaping Risk Perception and Investment Decisions Among Young Equity Investors

Ika Yoga, Rina Hastuti, Wahyu Pramesti, Anim Rahmayati
UIN Raden Mas Said Surakarta, Central Java, Indonesia
Email: ika.yoga@staff.uinsaid.ac.id , rina.hastuti@staff.uinsaid.ac.id, wahyu.pramesti@staff.uinsaid.ac.id, anim.rahmayati@staff.uinsaid.ac.id

ABSTRACT

Purpose: *This research study examines the pivotal role of social media in shaping risk perception and investment behavior among young equity investors. It focuses on the impact of social media content on their attitudes toward risk and the decision-making process in investments.*
Design/Methodology: *This study applied the quantitative method using the survey technique to extract data from 250 young stock investors. The data was collected via questionnaires based on a semantic differential scale and analyzed using the SEM-PLS method in order to get complex relationships between the variables unraveled.*
Findings: *Social media significantly shapes young investors' risk perceptions and investment behavior. It not only directly influences investment decisions but also mediates risk perception, leading to changes in investment behavior.*
Practical implications: *This is crucial evidence that informs the place for social media in integrating financial literacy into education. The fact that young investors are supposed to make a critical analysis of any information brought to them is important for these programs of financial literacy. The potential biases and misguidance in the information that can be found on social media should be made known to the young investors in order to raise their level of decision-making.*
Originality/Value: *This paper offers new insights into the impact of social media on young investors' behavior, highlighting risk perception as a key mediator. It also emphasizes financial literacy programs—such as workshops and gamified learning—to counter social media biases. Additionally, this study fills gaps in the literature by exploring how social media shapes risk perception and investment decisions.*
Keywords: Social Media, Risk Perception, Investment Behavior, Young Investors

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A. INTRODUCTION

The rapid development and immense influence of social media have altered a full range of modern social life, from financial decision-making to investment behavior. Twitter, Instagram and TikTok are currently three leading interfaces for communication and information processing used by young investors in the stock market (Dwivedi et al., 2021; Rani S & Prerana.M, 2021). Especially the first two, in real time, along with the tips of live data and peers, may highly influence the process of risk perception and decision (Ong & Toh, 2023). Young investors are becoming ever more reliant on social media for insights and investment strategies in the market, diverging from traditional financial advisories to digital information sources that are decentralized (Bossetta, 2018).

Research has shown that social media greatly influences the behavior and psychology of investment, especially for the younger demographic, who are far more exposed and adapted to digital platforms (Kim & Kim, 2022; Pellegrino et al., 2022). The immediacy in passing information, the ability to persuade by the online community, and the viral nature of trending topics all serve a purpose in persuading one to make financial decisions nowadays. This relationship is further complicated due to the cognitive biases of social media. For example, confirmation bias drives investors to favor content that supports their beliefs, reinforcing flawed strategies. Herd behavior leads them to follow popular trends, as seen in meme stock rallies, while overconfidence bias fueled by online success stories makes them underestimate risks. These biases amplify psychological influences, increasing risk-taking and leading to suboptimal investment decisions Social media amplifies effects, such as confirmation bias, herd behavior, and overconfidence, which have been found to increase psychological factors and hence increase risk-taking and potentially making suboptimal investment decisions on a higher level (Ferah & Sumer, 2023; Kaur Jaggi & Nair, 2024).

Whereas younger, less experienced investors fall prey to these biases, get swayed by the opinions and behaviors of peers online and influence their risk perception and investment strategies. The role of social media in shaping financial literacy and risk management practices by young investors cannot be underestimated (Nadhila et al., 2024). While this could democratize access to financial information, it could also present risks of misinformation and market manipulation. A bunch of studies has shown that young investors who majorly depend on social media for investment advice are likely not to evaluate the source's credibility, which results in decisions based on incomplete or inaccurate information (Cwynar et al., 2019; Miranda et al., 2023). This speaks to the need for greater financial education and critical thinking skills among young investing publics, to be able to slice through the complex, but not necessarily reasoned, information on most social media (Memarista & Puspita, 2021; Rani S & Prerana.M, 2021).

The currently available works offer a basis for the comprehension of these dynamics. Nevertheless, the literature does not specify which types of social media content influence risk perceptions and decision making among young stock investors (Saivasan & Lokhande, 2022). Also, this behavior should be studied more in detail, since online communities or peer pressure might play a vital role here (Y. Cao et al., 2020). This project intends to explain how social media affects young equity investors' risk perception and investment habits systematically so that it becomes possible to recommend better ways to manage risks or make informed choices (Kapoor et al., 2018; Xu et al., 2023).

Though an increasing body of literature claims to investigate the influence of social media on investor behavior, however, there still remain several key research questions unanswered. It has to yet address at first and foremost level that very basic concern of having a clear and focused understanding of how social media influences risk perception and investment decisions among young equity investors (Ismail et al., 2018). Even though it is accepted as a fact that social media can influence investors, the how and extent remains a mystery (Purtiwi et al., 2024). For instance, often the line between what is informative and what is manipulative material on social media is gray; how young investors perceive the information and act accordingly cannot clearly be ascertained. There is a need for deep inquiry into the cognitive and emotional processes that are working behind the behavior of young investors in relation to this information from social media.

Still, another key research question in the context is the influence on peers and investment behavior by online communities (Arrowood, 2024).. Social media are projected many times as a form of virtual community where young investors can exchange their knowledge and opinions about strategies. Such interactions can easily produce a bandwagon effect in which the actions of a few influential members can make the whole group mimic them (Memarista & Puspita, 2021). These interactions are much more complex and multidimensional in nature in regard to these communities and their individual risk behavior (Kaur Jaggi & Nair, 2024). The interest is actually in the interaction at the level of peer influence in contributing to herd behavior, overconfidence, and other cognitive biases that affect investment choices within these online communities (Jaccard et al., 2005; Siraj et al., 2021). So, what is important then is to understand these dynamics in a way that, through interventions, one can cushion the adverse impact of peer influences on investment behavior (Laursen & Veenstra, 2021; Zainurin et al., 2024).

Significantly, what remains most under-researched is the typology of social media content playing the most important role in influencing the nature of risk-taking behavior among young investors. Social media channels differ in the type of content available: From detailed financial analysis to speculative and sensationalist posts, each type of content might affect the perception of risk and decision-making differently for these investors (Atoom et al., 2021). An example is the type of content that focuses on high returns potential but leaves out the relative explanation of potential risk. This can foster reckless investment behavior. The opposite, however, may be true if the content is well researched and balanced. Therefore, it is necessary to discover and classify forms of content that contribute to risk-taking behavior as part of the efforts geared towards developing educational and regulatory policies that guide young investors into more informed and balanced investment practices.

B. LITERATURE REVIEW

Social media has revolutionized the way individuals perceive and engage in investment activities, particularly among young investors. Social Change Theory explains how transformations in social structures, norms, and behaviors occur due to technological advancements, innovation, and evolving societal dynamics (Avelino, 2021; Farooq et al., 2021). In the context of investment, the rise of digital platforms has reshaped traditional investment behavior, influencing how young investors assess risks and make financial decisions (Sheffield et al., 2021). Social Change Theory provides a framework for understanding how social media has transformed investment culture, particularly among young investors (Singh & Chakraborty, 2024). By accelerating the diffusion of financial knowledge, altering risk perception, and encouraging new investment behaviors, social media plays a critical role in shaping the modern financial landscape. Future research should further explore the implications of this shift, particularly in relation to financial literacy and long-term investment outcomes.

The literature refers to peer influence and online investment communities(Zhao & Li, 2024) explain that online communities set the stage where peer influence could have a huge impact on investment behavior. These communities foster a sense of belonging with shared goals, eventually coming to collective decision-making processes dependent on activities and views of influential members (Park et al., 2014). This creates a bandwagon effect in which some retail investors are even more prone to take excessively risky actions, as also seen with the GameStop trading frenzy. Such phenomena underline the importance of better understanding the social dynamics in online investment communities and their potential impact on individual investors' decision-making (J. Li, 2021; Radhika et al., 2023b).

The literature also highlights the area of amplified cognitive biases by social media (Zhang et al. 2022) also highlight how social media can influence the rise of biases, such as confirmation bias, where investors look for information supporting a prior belief, and herd behavior, in which they mimic the others' activities without any analysis. Such biases result in overconfidence and poor investment decision-making, especially among young and inexperienced investors who may not be so analytically equipped to handle complex financial environments (XU, 2024). This is further supported by the study of Junaidi & Nurhidayah, (2023) and Miranda et al. (2023) in that young investors who are exposed to or rely on social media for investment advice mostly make impulsive decisions based on popular content, not essentially backed by sound financial principles,

The nature of content circulating on the diverse platforms of social media also plays an important role in shaping investment behavior. Ausat (2023) place some forms in the classification of content on social media: factual financial analysis, opinion-based posts, and speculative content. Each type of content has various impacts on investors (Shahbaznezhad et al., 2021). For example, while factual analyses can potentially be informative and supportive of a well-founded decision, speculative and sensationalist posts might lead to irrational exuberance and risk-taking. The paper highlights the importance of young investors' ability to differentiate quality and reliability in the information they encounter on these platforms.

Literature also points to psychological drivers behind the reliance on social media in investment decisions. Alutaybi et al. (2020) also have noted that the FOMO, excitement, and the need for social validation create enough psychological pressure on young investors to interact more with social media content. These psychological phenomena are generally manifested in a preference for highly risky but high rewarding investment strategies, with quick gains that are currently hyped in online chat (Gupta & Sharma, 2021; Roberts & David, 2020). It is this realization that would be critical in structuring educational programs that could help young investors identify and reduce the effects of these emotions on their investment behavior.

Generally, the existing literature places emphasis on the fact that social media's influence on young equity investors is complex and multidimensional (Rani S & Prerana.M, 2021). It brings out the dual-edged nature of social media, whether as a tool that can empower or mislead investors. These insights synthesized in the current article advance the knowledge gaps regarding the specific mechanisms through which social media can influence investment risk perceptions and behaviors (Hussain Al-Hashimy et al., 2022). This synthesis lays the groundwork for the investigation into focused strategies that increase the financial literacy and critical thinking skills of young investors, ultimately improving their investment and risk management outcomes.

Social media powerfully shape perception among young investors through its diverse mechanisms of information dissemination and social interaction (X. Cao et al., 2021). These ensure instant and continued access of the news, market analyses, and opinions from many sources, which are, more often than not, not fully verified. Information can quickly spread and create a risky impression if the content is sensational or fear-inducing. Overexposure to negative or conflicting information may put risk perceptions to a high level, whereby investors start developing a feeling of being at a higher threat from market uncertainties (Nadhila et al., 2024). Coupled with these are cognitive biases such as the 'availability heuristic,' which prompts investors to evaluate risk based on the most memorable or frequently encountered information on social media (Berthet, 2022; Simon et al., 2000).

Besides, social media can be a great enabler of herding behavior among young investors, who tend to make the same investment as other network members, especially those considered successful or influential (Mattke et al., 2020; Yoon & Oh, 2022). Online group or community discussions are responsible for shaping risk perceptions among others, and many investors often follow the majority view without making independent and proper analysis . Some of the other significant ways that members of communities can influence individual risk perception include peer pressure and emotional contagion (Kling et al., 2023; Tsoy et al., 2021). The perceptions of risk among most individuals within such communities will be elevated by a situation whereby most people are scared or concerned about a certain market scenario, even in situations where objective data does not lend credence to such fears (Kumar et al., 2024). Thus, social media just acts as a catalyst and really accelerates the shifts in perception toward risks among the youth, leading to dynamics in investment behavior that are mostly volatile.

H_1: There is a Significant Positive Effect of Social Media impact to Risk Perception on Young Stock Investors

Risk perception levels in a person are very important for decision making about investments. According to Ahmed et al. (2022) a higher level of risk perception by an individual will opt for a safer, less risky investment. High risk perception makes the investors become more cautious about the possible loss, hence they prefer assets with low volatility and smaller potential losses. This implies that risk perception could be assumed to push investors toward a more conservative investment attitude. Furthermore, So et al. (2024) and Lee et al. (2023) found that risk perception is directly associated with financial anxiety and investment. In line with this, if the risk perception is high by the investor, financial anxiety is also heightened, thereby avoiding investments deemed too risky (Ryu & Fan, 2023).

On the contrary, for young investors, high levels of risk perception will leave them disliking risky stocks and choosing more stable investment tools (Owusu et al., 2023). This is simply because the prospect theory advanced by Korteling et al. (2023) demonstrates how people make a judgment about possible gains and losses by how they perceive risk. Studies have shown that individuals are mostly more reactive to impending losses than potential gains. In other words, young investors who perceive risks as running high may place more emphasis on avoiding losses than gaining, which might cause them to adopt a relatively conservative investment strategy (Almansour et al., 2023). This supports the hypothesis that risk perception positively significantly affects investment behavior, especially in young investors

H_2: There is a Significant Positive Effect of Risk Perception to Investment Behavior in Young Stock Investors

Social media is one of the leading sources of information for young investors, and empirical findings even reveal that information availed through such platforms largely influences the investment decisions made (Junaidi & Nurhidayah, 2023). As found in their study, Antweiler and Frank (2004) indicated that spread information on social media influences market sentiment, which in turn affects individual investment decisions (Smrithi & Selvi, 2024; Stoffel, 2022). Younger investors, being more in tune with social media platforms, are hence influenced by the information and opinions they get from their connections to make bolder or quicker investment decisions (Rani S & Prerana.M, 2021). In fact, Khadka & Chapagain (2023) went ahead to note that social media could result in potential behavior by investors, based on the social mechanisms, such as the bandwagon effect, through which individuals are known to follow investment decisions popularized or suggested by others on social media.

For instance, younger investors will be more likely to engage with trends and opinions on social media sites and thus be guided in making decisions concerning an investment by the popularity or buzz of such investments on the site rather than undertaking proper fundamental in-depth analysis (Zheng, 2023). This would conclude that social media influence would increase trend-driven investment behavior. Indeed, Pagolu et al. (2017) found that stock price movements can be predicted using sentiments expressed on Twitter. This means that social media is effective not just in altering the perceptions of information but can also alter investment decisions directly (Hao & Chen-Burger, 2022). Such an effect may be particularly high for those young investors who use social media much more often in their pursuit of information and opinions on investments. In this regard, therefore, the positive significant effect of social media on investment behavior by young investors is affirmed by the results.

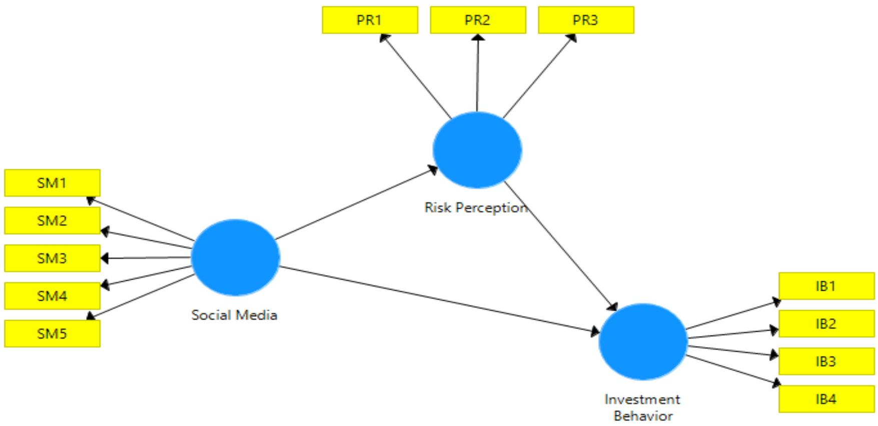
H_3: There is a Significant Positive Effect of Social Media to Investment Behavior on Young Stock Investors

Research has identified the capability of social media in altering the perception of risks among investors. For example, a study by Yang et al. (2023) revealed that information transmitted through social media typically raises market sentiment, which may affect risk assessment among investors. An example is if there are certain news or opinions that go viral in social media, investors will either get more anxious or more assured about the risks in an investment (Alsunni & Latif, 2021; Duy Bui et al., 2021). While the same pieces of information in social media can easily change the younger investors who are highly dependent on social media, consequently increasing and/or decreasing the risk perception (Junaidi & Nurhidayah, 2023; Saivasan & Lokhande, 2022). Consequently, social media influenced risk perception can be a determinant of investment decisions (Kumar et al., 2024; Priscilla & Saleh, 2023).

A few studies have suggested that higher risk perception can be associated with conservative investment choices (Waheed et al., 2020). Information that makes young investors feel investment risks are high will increase caution and push investors to safer investments (Almansour et al., 2023). In contrast, information that portrays the risks as being low will entice young investors into taking more risks. In this way, social media affects investment behavior not only directly but also indirectly through mediation by risk perception (Ahmed et al., 2022). Z. Li et al. (2023) cite research which shows that sentiment on social media could directly drive investment decisions, but if the information that is passed through affects the perception of risk, then the impact on investment decisions could be more complicated (Saivasan & Lokhande, 2022). Young investors exposed to information that affects their risk perception could make investment decisions influenced by changes in that risk perception (Almansour et al., 2023). Such findings support the hypothesis of the significant positive influence social media bears on investment behavior through the mediation of risk perception in young equity investors

H_4: There is a Significant Positive Effect of Social Media to Investment Behavior through Mediation of Risk Perception on Young Stock Investors

Figure 1. Research Model



Source: processed data, 2025.

C. METHOD

This is a quantitative study using the survey method for data collection with 250 respondents taken from the population of young stock investors. Using PLS-SEM, a sample of 250 respondents is sufficient based on several methodological justifications. The 10-times rule suggests that the sample should be at least 10 times the largest number of structural paths or indicators in the model, which 250 exceeds, making it an optimal choice for this study (Magno et al., 2024). The data were collected by means of a questionnaire on the basis of a semantic differential scale developed to elicit data from the respondents on their attitude and perception toward risk, social media influence, and investment decision-making. The questionnaire will include many items measuring the variables of risk perception, confidence, emotions, past experiences, the quality and influence of information from social media, and the level of such influence. The questionnaire assesses risk perception, confidence, emotions, past experiences, and social media influence on investment behavior. Risk perception covers financial loss, market volatility, and risk-taking. Confidence examines investment knowledge and reliance on personal judgment. Emotions include anxiety, excitement, FOMO, and regret. Past experiences evaluate how previous gains/losses shape decisions Social media influence measures information credibility, engagement, and susceptibility to trends.

Purposive sampling is used to ensure that respondents are young investors actively investing in stocks and relying on social media for investment information. To refine the selection criteria, this study includes investors aged 18 to 35 years who have engaged in stock trading and regularly use platforms such as Twitter, Instagram, YouTube, or TikTok for financial insights. The SEM-PLS method is chosen for its strength in handling complex relationships between variables and effectively testing research models, even with relatively small sample sizes. This analysis will assess the validity and reliability of the questionnaire and test hypotheses on the impact of social media on risk perception and investment behavior.

D. RESULT AND DISCUSSION

1. The Effect of Social Media on Risk Perception

The findings also reveal that social media has a highly significant effect on risk perception since its P-value of 0.00. This implies that information sourced from social media playback a significant role in how risk is perceived within the investment context. Social media, due to its characteristic of quickly delivering large amounts of information, usually influences or reflects the public risk perception in cases of limited or vague information. This finding reemphasizes the idea that social media is a key antecedent of risk perception for investors.

This is consistent with the past works of Tsoy et al. (2021) that positively underline the role of the media in perceptions of risk. That's why social media causes risk perceptions that are not necessarily associated with objective risks and pressures. Zhu & Liu, (2021) also supported the correlation between social media use and risk perception especially among the youth which are easily influenced by fake news found on social media.

On the same note, other researchers have postulated that the way in which social media influences risk perception can differ significantly depending on the level of media literacy that a person possessed (Waheed et al., 2020). Purington Drake et al., (2023) reported that individuals with high media literacy may find information from social media biased and are likely to develop balanced risks perceptions. This implies that while social media plays a large role in shaping risk perception (Tsoy et al., 2021), it's impact base can be partly controlled with the way the individual reasons and filters.

The findings of this study align with Social Change Theory, which explains how societal transformations occur due to technological advancements, information diffusion, and evolving norms (Naito et al., 2022). Social media has emerged as a powerful force reshaping risk perception among young investors by altering traditional decision-making processes and influencing behavioral patterns (Ausat, 2023). The findings confirm that social media significantly impacts risk perception by reshaping how young investors evaluate financial risks. Through the lens of Social Change Theory, this shift is part of a broader societal transformation where digital platforms redefine investment norms, for better or worse (Sathya & Prabhavathi, 2023).

2. The Effect of Risk Perception on Investment Behavior

However there are also studies that do not fully support this study, yet this research will endeavor to explain why this is so. For instance, Xing (2024) when studying the factor behind individual stock market investment raised valid points that point to the fact that risk perception and risk taking are not synonymous. However, in some positions investors still have higher perceived risks and still take high risks in their investments probably because of overconfidence or other psychological factors that are associated with behavioral finance (Berthet, 2022). This implies that in addition to the risk perception, investment decisions are determined by other elements for instance personality of the investor, past experiences (Lathief et al., 2024).

Similarly, other works such as Deb & Singh, (2016) have examined the affective aspect implication of risk perception arguing that, at times, individuals' feelings as far as perceived risk is concerned may opt for panache over rational evaluations. This goes a long way in adding another dimension to the effect that risk perception has to do with investment (Saivasan & Lokhande, 2022). What their study reveals is the possibility of the facilitation or inhibition of the effect of risk perception on decision making by emotions, thus the reason why some investors overtake risks that are perceived than what they actually are.

In conclusion, it can be said that the results of the current study correspond to many of the studies that have been published before and shed the light on the complexity of risk-perception in investment behavior at the same time. The role of risk perception is crucial, but it is only partially determinant since other factors- confidence, and feelings, as well as personal experiences also play their part. This underlines the need to develop a deeper picture of how investors' interact with risk in their allocation decisions (Almansour et al., 2023; Hyll & Irrek, 2015).

Still, there are some studies which are partly in consistency with these observations. For instance, Duy Bui et al. (2021) concluded that risk perception can sometimes differ with investors' behavior. In some cases, the investors who perceive high risk still exhibit courage in the investment decisions they make, it could be due to overconfidence, or other behavioral biases. Thus, these findings suggest that although risk perception is helpful, there are other variables which play a significant role in investment decision making, including psychology and experience.

The findings highlight that risk perception plays a crucial role in shaping investment behavior, with social change and digital influence being key drivers of this transformation (Sathya & Prabhavathi, 2023). As young investors adapt to this evolving financial landscape, enhanced financial literacy and critical risk evaluation frameworks will be essential to promote more informed and strategic investment decision. The findings of this study align with Social Change Theory, which explains how shifts in societal structures, technological advancements, and information flow influence individual behaviors In the context of investment decision-making, changes in risk perception due to digital and social transformations have significantly impacted investment behavior, particularly among young investors (Almansour et al., 2023).

3. The Effect of Social Media on Investment Behavior

The results of this study indicated that social media has a significant effect on investments with P-value of 0.00. Consequently, this means that information got through social media influences the actions of investors by having a direct impact on their investment decisions. From the results obtained, it can be inferred that there is significant influence of social media as an instrument of communication in informing investment perceptions (Junaidi & Nurhidayah, 2023) . The capacity to relay information through the social media platforms made it seem capable of galvanizing investment perceptions (Yoon & Oh, 2022). The given result is potentially salient as more individuals, especially young investors, tend to rely on social media to obtain information in modern society.

The given research supports this reasoning as well; for instance Radhika et al. (2023a) provided evidence of how information from social media could affect investment. News, analysis or even rumors shared on social media can cause quite the shift in the investment behavior of individuals. Similarly, in a study that analyzed the predictor capability of social media sentiment on the stock market, Wang et al. (2022) established that sentiment detected on the social media platforms is useful in anticipating the movements of stock markets, hence validating the significance of the social media in the functional financial market.

However, there are also opinions that take a rather critical approach to the impact of social media on investment. For instance that social media plays a role in swaying the market sentiment, though it cannot be relied on in influencing investment decisions. That less credible or bias information shared the social media may not much impact the more experienced and sophisticated investors, but opt more on the analysis of quantitative data. This view also emphasizes the lack of media literacy among investors who invest in shares relying on false information (Rangapur et al., 2023).

The findings indicate that social media has significantly reshaped investment behavior, particularly among young investors, aligning with Social Change Theory, which explains how technological advancements and societal transformations influence individual decision-making. the rise of social media has democratized access to financial information, enabling young investors to make decisions based on peer discussions, influencer opinions, and viral market trends. This shift has led to increased herding behavior, where investors follow trends rather than conducting in depth financial analysis. In line with Social Change Theory, this transformation highlights how digitalization and real-time information flows have reshaped financial norms, accelerating both investment opportunities and behavioral biases. Therefore, while social media empowers investors with greater accessibility to financial knowledge, it also necessitates improved financial literacy to mitigate impulsive and sentiment-driven investment behavior (Junaidi & Nurhidayah, 2023; Olajide et al., 2024).

4. The Effect of Social Media on Investment Behavior with Mediation of Risk Perception

Third, this study also identified that the mediation path between social media, risk perception, and investment behavior was significant with P value of was 0. 008. Thus it implies that social media affects investment behavior through direct effects and through mediating the perception of the level of risk. Namely, they learn through social media information which shifts approach to defining risk and thus influences investment decisions. This finding shows that integrating social media information into the decision-making process of investment is rather complicated because risk perception plays a key role in communicating information acquired from social media in the financial context.

Other previous research that confirms these findings is that of Zhu & Liu (2021) who noted that social media can create information that changes risk perception and thus investment. This research is in line with the notion that risk perception moderates the relationship between social media information and investment behavior. This view is supported by Ahmed et al., (2022) who demonstrate that risk perception arising from market information that acts as an intermediary of investment behavior, depends on the risks involved in a market that is clearly volatile.

Again, there are some studies that have proved that the mediating role of risk perception is not always very pronounced. For instance, that some of the investors are likely to dismiss the risk perception that results from the social networking sites and be inclined towards following the historical trading trends or other technical data. This implies that though risk perception contributes to the influence of information from the social media platform on investment, other factors include the trading strategy, experience and confidence.

The findings suggest that risk perception plays a crucial mediating role in the relationship between social media influence and investment behavior, aligning with Social Change Theory (Rogers, 1995). As social media reshapes how information is disseminated, it significantly alters how young investors perceive financial risks, which in turn affects their investment decisions. Previously, risk perception was shaped by traditional financial education and expert analysis, but with the rise of social media, investors are now exposed to real-time, unfiltered, and sentiment-driven financial narratives Social Change Theory explains this shift as part of a broader societal transformation, where digital finance culture replaces traditional investment norms, influencing both risk perception and behavioral responses. The mediation effect highlights that while social media can drive engagement in financial markets, the way individuals interpret and internalize risk determines whether their investment behavior becomes opportunistic or overly cautious. Thus, strengthening financial literacy and critical risk assessment skills is essential to balance the opportunities and behavioral biases induced by social media-driven investment trends.

E. CONCLUSION

The study was successful in displaying that social media greatly influences investment behavior, where risk perception seems to be an important mediating factor in this regard. The findings verify that through changing risk attitudes, it is possible for social media to induce changes in investment decision-making. However, the specific sample size and time frame of the study should not be generalized with the findings to all sorts of investors.

All these results indicate that investors should be very careful and critical when dealing with information from social media in regard to its quality and relevance before taking it into account in their investment decisions. For further research, longitudinal studies are suggested. This is the process whereby a certain group of investors is followed up for a period of time, observing changes in perceptions regarding risks and investment choices. Scope of the study can be extended to a more heterogeneous population and more variables for making the results even more robust and precise. Further research on perceptions and interpretations of such social media information by investors would help understand its long-term effects on investment behavior and decision-making.

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