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Social Media and Investment Decision of Gen Z in Nepali Capital Market

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Abstract

This study aims to examine the impact of social media on stock market investment decisions of Gen Z investors in Sudurpaschim Province, Nepal, specifically on informational and behavioral aspects. The research sought to determine the influence of usefulness, trust, and usage of social media on Gen Z investors, including the moderating effect of herding and overconfidence. The research used a quantitative research approach, where a structured questionnaire was used as a research instrument. The research participants were 220 Gen Z investors, aged 18-28 years. The findings were analyzed using SPSS software version 27 for multiple regression analysis, and Hayes PROCESS Macro version 4 for 5,000 bootstrap samples. The findings suggest that the model accounted for 50.2% of the variance of investment decisions (Adjusted $R^2 = 0.502$). The findings suggest that perceived usefulness is a significant factor for investment decisions ($\beta = 0.342$, $p < 0.001$), as is trust ($\beta = 0.187$, $p = 0.003$) and online community engagement ($\beta = 0.168$, $p = 0.004$). Frequency of use is, however, not significant for investment decisions ($\beta = 0.066$, $p = 0.162$). Herding and overconfidence partially mediate these relationships. The findings suggest that social media plays a role in investment decisions, and rational evaluation and behavioral biases of young investors cannot be ignored.

Keywords: Social media, Behavioral finance, Generation Z, Investment decision, Herding behavior, Overconfidence bias

Introduction

In the modern digital age, the growth of online communication channels has dramatically altered the manner in which individuals seek, comprehend, and apply financial data. Conventional financial theories, especially the Efficient Market Hypothesis (EMH), suggest that the price of assets includes every accessible piece of data. Moreover, the EMH states that investors are rational (Fama, 1970). In light of the above argument, no individual investor is thought to be able to consistently achieve superior results than the broader market. However, the above assumption has been challenged over time. In the real world, investors are not entirely rational. In fact, the decisions of investors are often motivated by psychological, social, and emotional variables. The above argument has given birth to behavioral finance. Behavioral finance is a school of thought that draws from the fields of psychology and sociology (Bukovina, 2016; Thaler, 1999).

Out of the various modes of financial information available in the market today, social media has been a highly disruptive force. Facebook, YouTube, TikTok, Viber, etc., are social media channels that facilitate real-time communication through user-generated media and peer-to-peer communication (Kaplan & Haenlein, 2010). Although the emergence of social media has been beneficial from the point of view of the convenience of accessing financial information, it has also brought about various issues like financial information, speculative mania, and herding. Generation Z is defined as the age group of 18-28 years. Generation Z is highly technology-savvy. Social media is not only being used for communication purposes but is also being used for learning and validating financial information and advice. Therefore, the investment decisions of Generation Z are being driven by various factors like technology exposure, peer-to-peer communication, and behavioral factors (Appel et al., 2020; Dwivedi et al., 2021).

However, empirical research findings on the impact of social media on investment decision-making have shown mixed results. Some researchers have shown that social media facilitates information access and participation in the market, but it does not

directly influence investment decisions due to issues of trust and credibility (Ismail et al., 2018). On the contrary, some researchers have shown that the usefulness and trustworthiness of social media content do influence investment decisions, but the use of social media is not a strong predictor of investment decisions (Bhandari & Pokharel, 2022; Dwivedi et al., 2021). More recent research findings have shown that social media plays a significant role in influencing the sentiment and behavioral responses of investors in the market (Kraaijeveld & De Smedt, 2020; Nisar et al., 2021). Research findings from emerging markets have shown that social media usage can increase investment behavioral biases such as herding, overconfidence, and high trading turnover, especially among young investors (Junaidi & Nurhidayah, 2023; Vasquez, 2023). These findings suggest that social media is not only a facilitator of information access but is also a behavioral influencer of rational and irrational investment decisions.

In terms of the application of social media for investment purposes, it has been noted by Pandit and Vaidya (2022) that, whereas overall content on the internet is viewed as being carefully considered by potential investors, financial discussions on social media such as Facebook and Viber, as part of special interest groups, have been found to be viewed as credible sources of information. As noted by Wu et al. (2024) social interaction and influence have been found to play a significant role in stock market participation, highlighting the dual influence of social media. The influence of social media on investment decisions has also been noted by Joshi and Rawat (2025) as being directly related to social media, where capital market literacy is found to be a partial mediator. Furthermore, as noted by Haque et al. (2022) online communities, content, and image have been found to have a significant influence on investment decisions. The influence of social media, therefore, is seen as being affected by various factors, including trust, usefulness, and quality of engagement.

However, most of the research conducted in Nepal has been based in urban areas such as the city of Kathmandu and the tourist hub of Pokhara, where the levels of financial literacy are high and the development of financial services is well established. In

contrast, provinces such as Sudurpaschim are under researched, although there has been a significant shift towards utilizing digital platforms for information gathering in terms of financial information due to a lack of access to financial advisory services. In addition, most of the research conducted in the past has been based on individual factors of social media without a significant focus on the role of behavioral biases in investment decisions.

In the present study, social media is defined by four distinct dimensions: perceived usefulness, trust in social media content, frequency of usage, and community involvement. Therefore, the main objective of the present study is to examine the impact of the aforementioned variables on investment decisions of the stock market among Generation Z investors of Sudurpaschim Province. In addition to the above objective, the present study is also intended to examine the mediating effect of behavioral biases like herding and overconfidence.

Literature Review

However, it is assumed in traditional financial theories that investors behave in a rational way in making their investment decisions. The Efficient Market Hypothesis (EMH) theory, as suggested by Fama (1970) assumes that financial markets are information-efficient, i.e., the market reflects all available information in its asset pricing. It is therefore assumed that in this market, investors make rational decisions, and it is not possible for abnormal returns to be achieved. Similarly, in the Capital Asset Pricing Model (CAPM) theory, it is assumed that the relationship between expected return and systematic risk is important for making rational investment decisions (Sharpe, 1964).

However, these traditional assumptions have been challenged by the theory of behavioral finance, which states that investors are not rational all the time and may be swayed by various psychological and emotional factors (Thaler, 1999; Barberis & Thaler, 2003). Behavioral finance takes into account various cognitive biases and heuristics and social effects while making financial decisions. Among the various

important biases are herding behavior, overconfidence, loss aversion, and framing effects, which have been found to affect investors (Kahneman & Tversky, 1979).

Apart from behavioral finance, the Technology Acceptance Model (TAM) and Theory of Planned Behavior (TPB) are significant theoretical bases for understanding the impact of social media on investment decisions. According to TAM, the perception of usefulness has a significant impact on an individual's intention to use technology (Davis, 1989). TPB emphasizes the importance of attitude, subjective norms, and perception of control as significant factors for understanding an individual's intention to perform behavior (Ajzen, 1991). In the context of social media, the perception of usefulness, trust, and social influence (community engagement) can be considered significant factors for understanding investment decisions. These theories collectively provide a strong base for understanding the impact of social media on investment decisions from the rational and behavioral perspectives.

Social media has become an important factor in the process of financial decision-making by offering access to information in real time, facilitating interaction, and influencing perceptions of investors. Social media in this study is defined by four important dimensions: perceived usefulness, trust in content, usage frequency, and online community engagement.

The perceived usefulness of social media can be defined as the extent to which investors perceive that the information provided by social media is valuable and relevant to their investment decisions. Previous studies have shown that perceived usefulness has a significant impact on decision-making behavior in virtual settings (Davis, 1989; Dwivedi et al., 2021). In the context of finance, investors can use social media platforms if they perceive that the information provided by such platforms can be useful to them.

Another significant factor that impacts investment decisions is trust in social media content. Trust acts as a facilitator that eliminates uncertainty in decision-making processes. It increases the probability that people act on the available information

(Håkansson & Witmer, 2015). In a financial environment where information asymmetry exists, trust in online content plays a vital role in determining investment decisions (Nisar et al., 2021).

Frequency of Social Media Usage measures how much investors are exposed to information on social media sites. Although it is likely that more frequent exposure to information will result in more awareness, existing research does not imply that this will necessarily translate into better decision-making; instead, it is likely that quality is more important than quantity of information (Bhandari & Pokharel, 2022).

Online Community Engagement measures how much investors engage in, participate in, and get involved in online communities on social media sites. It is likely that high participation in online communities will significantly impact investors' sentiments and confidence (Pentina & Zhang, 2017). Social interaction in online communities is likely to result in social learning and social behavior.

Besides these factors, behavioral factors such as herding and overconfidence also assume critical importance in investment decisions. Herding behavior, for example, has been defined as a behavior where people follow others despite not using their own information or analysis (Banerjee, 1992). Overconfidence, on the other hand, has been defined as how much an individual overestimates their abilities, which leads to excessive trading and risk-taking behavior (Barber & Odean, 2001). Such behavior assumes critical importance in social media platforms where excessive influence and information overwhelm may lead to irrational behavior.

A series of empirical research works have recently focused on the impact of social media on investment decision-making. For instance, Ismail et al. (2018) showed that social media facilitates access to financial information and boosts participation in investment, though its impact on investment decision-making is limited owing to issues of credibility. Moreover, Bhandari and Pokharel (2022) revealed that usefulness and trust have a substantial impact on investment decisions among Nepalese investors, whereas frequency of use does not significantly impact investment decisions.

Recent research works have further revealed the impact of social media on investment decisions and sentiments. Kraaijeveld and De Smedt (2020) revealed that social media sentiments have a substantial impact on stock market performance, whereas Nisar et al. (2021) revealed that digital media impact investment behaviors through information and social interaction. These research works revealed that social media is not only used for information search but also for shaping market sentiments.

The importance of online communities has also been extensively researched. Haque et al. (2022) discovered that investment decisions are affected by online community behavior, online community content quality, and corporate image. In the same vein, Pentina and Zhang (2017) noted the significance of social interaction in online communities, arguing that it boosts the confidence of online community users and consequently shapes their decision-making behavior.

Moreover, behavioral biases have been discovered to mediate the relationship between social media usage and investment decisions. Junaidi and Nurhidayah (2023) discovered that social media usage results in increased trading behavior. In the same vein, Vasquez (2023) noted that online communities boost the herding behavior of retail investors due to overconfidence, especially among younger retail investors.

In the case of Nepal, various studies have pointed to the rising significance of social media in investment decisions. In a study by Pandit & Vaidya (2022), social media groups have been identified as an essential tool of investment decisions by investors. In the same study, the general skepticism of the public toward online media has been noted. Wu et al. (2024) have pointed to the significance of social media interaction in investment decisions. Joshi & Rawat (2025) have demonstrated the direct effect of social media communities on investment decisions by investors. In the study by Joshi & Rawat (2025), capital market literacy has been noted to mediate the relationship between social media communities and investment decisions. Although various studies have been conducted to establish the significance of social media communities in investment decisions by investors, the integrated effect of informational variables and

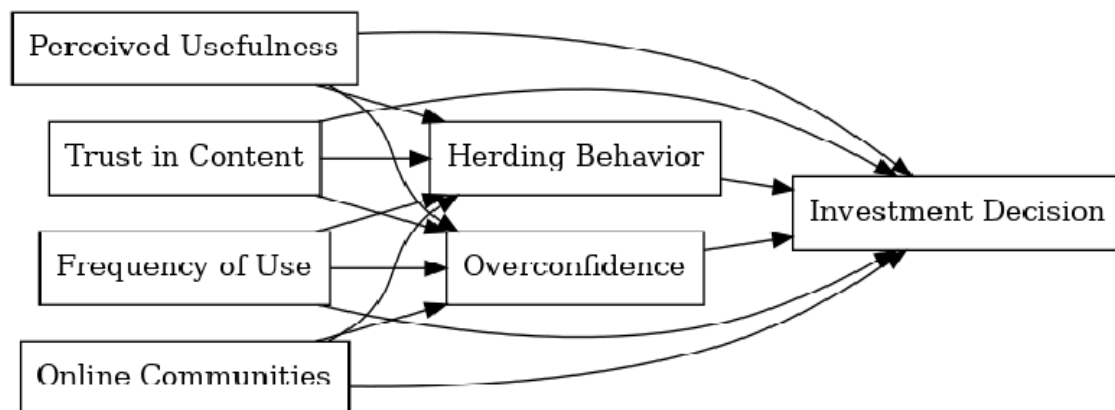
behavioral biases has not been adequately explored. Moreover, the studies have been conducted mainly in the city. The significance of social media communities in investment decisions by Generation Z investors has not been explored in the under-researched area of Sudurpaschim Province.

Conceptual Framework

On the basis of the theoretical and empirical evidence provided in the above discussion, a conceptual framework is proposed in this study in which the variables of perceived usefulness, trust in social media content, usage frequency, and online community engagement are proposed to influence investment decisions for Generation Z investors. Furthermore, it is proposed that behavioral biases in the form of herding and overconfidence would mediate these relationships.

Figure 1

Conceptual Framework



Source: Developed by the author based on Davis (1989), Ajzen (1991), Kahneman and Tversky (1979), Barber and Odean (2001), and Haque et al. (2022).

The link between perceived usefulness and investment decisions was confirmed by TAM theory, which indicates that people are more prone to use information they perceive as useful (Davis, 1989; Dwivedi et al., 2021). Trust in information presented by social media can boost the information's credibility, thus increasing the probability

of its application in investment decisions (Håkansson & Witmer, 2015; Nisar et al., 2021). Although the use of information from social media can be measured by frequency, its influence on investment decisions can be related to information quality rather than its amount (Bhandari & Pokharel, 2022). Online community involvement can positively influence investor behavior by promoting social interaction and learning, thus affecting investment decisions via peer effects (Haque et al., 2022; Pentina & Zhang, 2017).

Moreover, the behavioral finance theory indicates that exposure to information and interaction with people in the stock exchange can lead to behavioral biases such as herding and overconfidence (Kahneman & Tversky, 1979; Barber & Odean, 2001). Empirical studies confirm the mediating role of these biases in the relationship between social media and investment decisions (Junaidi & Nurhidayah, 2023; Vasquez, 2023).

Accordingly, the study proposes the following hypotheses:

- H1: Perceived usefulness of social media has a significant positive effect on investment decisions.*
- H2: Trust in social media content has a significant positive effect on investment decisions.*
- H3: Frequency of social media use has a significant effect on investment decisions.*
- H4: Online community engagement has a significant positive effect on investment decisions.*
- H5a: Herding behavior mediates the relationship between perceived usefulness and investment decisions.*
- H5b: Overconfidence bias mediates the relationship between trust in social media content and investment decisions.*

This framework is based on behavioral finance theory and is supported by existing research studies, which collectively show that social media affects investment decisions directly and indirectly through behavioral biases.

Methodology

This study employed a quantitative research approach under a descriptive-explanatory survey research design to assess the impact of social media on investment decisions of the stock market among Generation Z investors in the Sudurpaschim Province of Nepal. The descriptive section of the study is employed to analyze the demographic characteristics of the participants. Meanwhile, the explanatory section of the study is employed to assess the relationships between the independent variables, namely perceived usefulness (PU), trust in the content (TR), frequency of use (FR), and online community (OC), and the dependent variable, namely investment decision (ID). Furthermore, the mediating variables of the study are herding behavior (HB) and overconfidence (OCF).

This research approach is consistent with the previous studies of behavioral finance and technology acceptance. Most studies of behavioral finance and technology acceptance employed the quantitative research approach under the survey research design. In fact, the quantitative approach is the dominant approach to studying the psychological determinants of investment decisions (Haque et al., 2022; Junaidi & Nurhidayah, 2023). Moreover, the study is underpinned by the Theory of Planned Behavior (Ajzen, 1991) that explains the psychological determinants of human behavior.

The target population of the proposed study includes Generation Z investors ranging from 18 to 28 years of age and living in Sudurpaschim Province. They should be either currently involved in the Nepal Stock Exchange or plan to do so in the near future. Generation Z is considered the target group for the proposed study since they are considered a digital-savvy group and tend to be active in social media. Furthermore, research has shown that younger generations of investors tend to be more prone to behavioral biases such as herding and overconfidence and are considered a target group for the proposed study (Pentina & Zhang, 2017; Junaidi & Nurhidayah, 2023).

Since a comprehensive sampling frame for Generation Z investors in the region is not available, Cochran's formula for an infinite population is considered for determining the

required sample size for the proposed study. A minimum of 200 samples is obtained for a 95% confidence interval and a 5% margin of error. A minimum of 200 samples is considered sufficient for regression and mediation analysis, as recommended by Hair et al. (2019), since a minimum of 10 to 20 samples are considered sufficient for each predictor variable in regression and mediation analysis.

A combination of purposive and convenience sampling methods was adopted. Purposive sampling was conducted to reach respondents who fulfill the sampling criteria of being Gen Z investors or potential investors. Convenience sampling was conducted to obtain the required data in the absence of a sampling frame. These sampling methods are commonly adopted in behavioral finance and social media research, where the target audience is selected based on their specific characteristics (Ismail et al., 2018; Wu et al., 2024).

The data collection methods were both online and offline. Online methods of data collection were conducted through social media platforms such as Facebook, Messenger, and Viber, where young investors are active. Offline methods of data collection were conducted through educational institutions, brokerage firms, and investment training centers in Mahendranagar and its adjacent districts. A total of 220 valid responses were collected.

The data collection process involved using a structured questionnaire. The structured questionnaire was developed based on relevant literature from various research studies on social media, behavioral finance, and technology adoption. The structured questionnaire was designed to include three dimensions: demographic, social media usage patterns, and measuring research constructs.

The measuring of research constructs is adapted from previous studies to make it reliable and valid. The measuring of perceived usefulness is adapted from Davis (1989) to measure the extent to which social media is perceived as useful for providing information. The measuring of trust in social media is based on previous studies that highlighted the importance of the information provided on the internet (Håkansson &

Witmer, 2015). The measuring of frequency of use is based on the extent of usage of social media, and online community engagement is based on participating in discussions on the internet (Pentina & Zhang, 2017).

To measure behavioral biases, constructs were used. Herding behavior was measured based on the tendency to follow investment decisions of others. Overconfidence was measured based on the tendency of investors to overestimate their knowledge and decision-making ability (Barber & Odean, 2001; Kahneman & Tversky, 1979). Investment decision was measured in terms of buying, holding, and selling behaviors. All the items were measured on a five-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree").

To check the clarity, relevance, and comprehensiveness of the questionnaire, a pilot study was conducted among 20 respondents. On the basis of the findings, some changes were incorporated in the questionnaire to make it better. To check the reliability of the items, Cronbach's alpha was computed. If $\alpha \geq 0.70$, it is considered a measure of adequate reliability (Nunnally & Bernstein, 1994; Hair et al., 2019). Findings revealed that all the constructs had adequate reliability.

Construct validity was verified through correlation and factor analysis to ascertain that the items in the measurements sufficiently represent their respective constructs and do not have significant cross-loading effects.

Data analysis was conducted using the Statistical Package for Social Sciences (SPSS) version 27. Descriptive and inferential data analysis methods were employed. Descriptive analysis was conducted to analyze demographic information and social media usage patterns. Inferential analysis was conducted to verify the proposed relationships in the research model.

Multiple regression analysis was conducted to determine the direct effects of independent variables (PU, TR, FR, OC) on investment decision (ID). Multiple regression is a suitable data analysis approach for testing the direct effects of a set of independent variables on a single dependent variable (Hair et al., 2019).

To determine the mediating effects of herding behavior and overconfidence, a mediation analysis was conducted. Hayes' PROCESS Macro (Model 4) with 5,000 bootstrap samples was implemented for data analysis (Hayes, 2013).

Statistical significance was set at a 5% threshold ($p < 0.05$).

Regression Model Specification

The regression model used in this study is specified as follows:

$$ID = \beta_0 + \beta_1 PU + \beta_2 TR + \beta_3 FR + \beta_4 OC + \beta_5 HB + \beta_6 OCF + \varepsilon \quad \dots (1)$$

Where:

- ID = Investment Decision
- PU = Perceived Usefulness
- TR = Trust in Social Media Content
- FR = Frequency of Social Media Use
- OC = Online Community Engagement
- HB = Herding Behavior
- OCF = Overconfidence
- ε = Error term

This model also helps in examining both the direct effects of social media-related factors and indirect effects through behavioral biases, which would provide a holistic understanding of investment decision-making among Generation Z investors.

Results

Table 1 presents the demographic characteristics of the participants. The sample group includes 220 Generation Z investors. More male investors (62.70%) than female investors (37.30%) are included. The majority of the participants are from the age group of 21-24 years (43.60%), followed by 25-28 years (36.40%), and 18-20 years (20.00%). In terms of educational qualifications, the majority of the participants have a bachelor's degree (39.10%), followed by intermediate (30.00%), SEE/ + 2 (22.70%), and master's

(8.20%). In terms of investment experience, the majority of the participants have less than one year of experience (41.80%), i.e., the majority of the participants are new to investment. It is also found that 38.20% of the participants have 1-3 years of experience, while 20.00% have more than three years of experience.

Table 1

Respondents' Characteristics

Description	Category	Frequency	Percentage
Gender	Male	138	62.70%
	Female	82	37.30%
Age	18–20	44	20.00%
	21–24	96	43.60%
	25–28	80	36.40%
Education	SEE/+2	50	22.70%
	Intermediate	66	30.00%
	Bachelor	86	39.10%
	Master	18	8.20%
Investment Experience	< 1 year	92	41.80%
	1–3 years	84	38.20%
	> 3 years	44	20.00%

Overall, the sample consists of young and less-experienced investors, which is similar to the characteristics of Generation Z participants in new financial markets.

Table 2

Model Summary of Independent Variables (PU, TR, FR, OC) and Dependent Variable (Investment Decision)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.724a	.524	.502	.351	1.981

a. Predictors: (Constant), PU, TR, FR, OC

b. Dependent Variable: Investment Decision

Table 2 presents a description of the summary statistics of the regression model for the analysis of the impact of social media factors on investment decisions. The model has an R^2 of 0.524 and an adjusted R^2 of 0.502, indicating that 50.2% of the variance of investment decisions can be explained by the independent variables of perceived usefulness, trust, frequency of use, and online community engagement.

The Durbin-Watson statistic of the model was 1.981, which falls within the range of 1.5 and 2.5. This indicates that there was no autocorrelation problem, and the model assumes independence of errors (Field, 2013).

Table 3

Regression Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
Constant	0.951	0.120		7.925	.000
PU	0.321	0.060	0.342	5.333	.000
TR	0.214	0.071	0.187	3.014	.003
FR	0.071	0.051	0.066	1.401	.162
OC	0.183	0.061	0.168	3.000	.004

The regression equation is:

$$ID = 0.951 + 0.321PU + 0.214TR + 0.071FR + 0.183 OC \quad \dots(2)$$

Table 3 presents the regression coefficients for the effect of the social media-related variables on investment decisions. Based on the results obtained, it is evident that the usefulness of social media has a significant positive effect on investment decisions ($\beta = 0.342$, $p < 0.001$). This implies that investment decisions are likely to be made when the investor considers social media to be useful.

Further, the results obtained show that trust in social media content has a significant positive effect on investment decisions ($\beta = 0.187$, $p = 0.003$). This implies that social media content plays a vital role in investment decisions.

On the other hand, online community engagement has a significant effect on investment decisions ($\beta = 0.168$, $p = 0.004$). This implies that online communities are vital for investment decisions.

However, the results obtained show that frequency of social media use has a non-significant effect on investment decisions ($\beta = 0.066$, $p = 0.162$). This implies that investment decisions are not likely to be made based on the frequency of use of social media.

Based on the regression results, the estimated model is:

$$ID = 0.951 + 0.321PU + 0.214TR + 0.071FR + 0.183 OC \quad \dots(2)$$

This equation shows that usefulness, trust, and online communities positively affect investment decisions, whereas frequency of use has a relatively minor impact that is statistically insignificant.

Table 4

Mediation Analysis Summary

Relationship	Total Effect	Direct Effect	Indirect Effect	95% CI (Lower, Upper)	Conclusion
PU → HB → ID	0.321***	0.209**	0.112	[0.061, 0.172]	Partial Mediation
TR → OCF → ID	0.214**	0.123*	0.091	[0.042, 0.150]	Partial Mediation

Note: *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Table 4 displays the mediation analysis results using Hayes' PROCESS Macro. The results reveal that herding behavior partially mediates the relationship between usefulness and investment decision with an indirect effect of 0.112 and a 95% confidence interval of [0.061, 0.172]. As the confidence interval does not include zero, it can be concluded that the mediation effect is statistically significant.

Likewise, overconfidence bias partially mediates the relationship between trust and investment decision with an indirect effect of 0.091 and a confidence interval of [0.042, 0.150], which implies a significant mediation effect.

The occurrence of partial mediation implies that social media plays a direct as well as an indirect role in investment decisions through behavioral biases.

Table 5

Summary of Hypothesis Testing Results

Hypothesis	Relationship Tested	Standardized β	Sig. (p)	Decision
H1	Perceived Usefulness $\rightarrow$ Investment Decision	0.342	0.000	Accepted
H2	Trust in Social Media Content $\rightarrow$ Investment Decision	0.187	0.003	Accepted
H3	Frequency of Social Media Use $\rightarrow$ Investment Decision	0.066	0.162	Rejected
H4	Online Community Engagement $\rightarrow$ Investment Decision	0.168	0.004	Accepted
H5a	Herding Behavior mediates Perceived Usefulness $\rightarrow$ Investment Decision		0.015	Partially Mediated
H5b	Overconfidence mediates Trust $\rightarrow$ Investment Decision		0.022	Partially Mediated

Table 5 presents the results of the hypothesis testing. The results suggest that perceived usefulness ($\beta = 0.342$, $p < 0.001$), trust in social media content ($\beta = 0.187$, $p = 0.003$), and online community engagement ($\beta = 0.168$, $p = 0.004$) have significant positive relationships with investment decisions. Therefore, hypotheses 1, 2, and 4 are supported.

On the contrary, the frequency of social media usage ($\beta = 0.066$, $p = 0.162$) is not significant. Therefore, hypothesis 3 is rejected.

Moreover, the mediation results confirm hypotheses 5a and 5b. It suggests that herding behavior and overconfidence bias are partial mediators of the relationships between social media factors and investment decisions.

Discussion

This study aims to explore the impact of social media on stock market investment decisions, including direct and indirect impacts, such as behavioral biases, for Generation Z investors in Sudurpaschim Province, Nepal. The findings of this study will help to create a deeper understanding of the combined impacts of informational and psychological factors on investment decisions.

The findings of this study showed that perceived usefulness is the most significant factor for investment decisions. This implies that Generation Z investors rely on social media for investment decisions when they believe that social media is useful for decision-making. This finding is supported by the Technology Acceptance Model, as proposed by Davis (1989), where perceived usefulness is considered one of the most significant factors for behavioral intention. This finding is also supported by empirical studies that have found that perceived usefulness is one of the most significant factors for financial decision-making, as reported by Bhandari and Pokharel (2022) and Dwivedi et al. (2021). For emerging economies such as Nepal, where people cannot afford formal financial advisory services, social media plays a significant role as an alternative source for decision support.

Another aspect of social media content that has been found to have a significant positive influence on investment decisions is trust in social media content. This implies that investment decisions are more likely to be made when they are based on content that can be considered credible and reliable. This study thus provides support to the Theory of Planned Behavior (Ajzen, 1991), which emphasizes the importance of beliefs in determining behavior. This study also provides support to past studies that have shown that trust can reduce uncertainty and increase reliance on digital sources of information (Håkansson & Witmer, 2015; Nisar et al., 2021). In Nepal, where verification might not be possible, trust in peer-generated content can thus be a significant factor in determining investment behavior.

However, frequency of social media usage has no significant impact on investment decisions. This implies that it is not necessarily true that the more an individual engages in social media usage, the better investment decisions they are likely to make. This further supports the argument that it is not the amount of exposure to certain information that matters but rather the relevance of that information. This has been supported by earlier studies that have shown that frequency of usage in decision-making outcomes cannot be predicted (Bhandari & Pokharel, 2022).

Online community engagement, on the other hand, is found to have a significant impact on investment decisions. This shows that interaction, involvement, and influence from peers have a significant impact on investor decisions. This is similar to other studies that have shown the importance of online communities in influencing financial decisions, such as financial behavior, by using social interaction and sharing of knowledge, as shown by Haque et al. (2022) and Pentina & Zhang (2017). For a region such as Sudurpaschim Province, where access to financial advice is limited, online communities could be considered as a replacement for such advice.

Further, the mediation analysis reveals that behavioral biases do influence investment decisions. Herding behavior partially mediates the relationship between usefulness and investment decisions. This reveals that investors who find social media useful are also prone to following the actions of others. This is in line with the behavioral finance theory, which reveals that individuals tend to follow social behaviors in their decision-making when faced with conditions of uncertainty (Kahneman & Tversky, 1979). Overconfidence partially mediates the relationship between trust and investment decisions. This reveals that investors who trust social media content tend to be overconfident in their abilities. This is in line with research that reveals overconfidence in investment decisions leads to conditions of excessive trading and risk-taking (Barber & Odean, 2001).

Overall, it can be concluded that investment decisions made by Generation Z investors are indeed influenced by both rational and behavioral factors. Although usefulness and

trust are rational measures of information, herding and overconfidence are more related to behavioral biases that affect decision-making in a negative way. This study thus supports the perspective of behavioral finance that investor behavior is influenced by a combination of cognitive, emotional, and social factors (Thaler, 1999; Bukovina, 2016).

In conclusion, it can be stated that this study has shown that social media plays a dual role in investment decision-making: it provides useful investment-related information to Generation Z investors, but it also leads to various behavioral biases in investment decision-making. This is more relevant in newly evolving financial markets where Generation Z investors rely on social media for making investment-related decisions.

Conclusion

This study aims to examine the influence of social media on stock market investment decisions among Generation Z stock investors in Sudurpaschim Province, Nepal. By incorporating behavioral finance theory and information dynamics in the digital environment, the study aims to examine the influence of social media factors such as perceived usefulness, trust, frequency of use, and online community engagement on stock investment decisions, both directly and indirectly through behavioral factors such as herding and overconfidence.

The results of the study showed that social media significantly influences investment decisions; however, the influence of social media factors varies across different dimensions. Specifically, perceived usefulness was found to be the most influencing factor in investment decisions among Generation Z stock investors in Nepal, suggesting that Generation Z stock investors in Nepal use social media in investment decisions when they find it useful in terms of providing relevant information. Trust and community engagement were also found to significantly influence investment decisions among Generation Z stock investors in Nepal; however, frequency of use was not found to be a significant predictor of investment decisions, suggesting that the influence of social media on investment decisions depends on the quality of engagement rather than the quantity of usage.

It is also noteworthy that the mediating effect of behavioral biases is clearly demonstrated by the study. In the first case, the herding behavior of the investors mediates the relationship between perceived usefulness and investment decisions. Similarly, the overconfidence of the investors mediates the relationship between trust and investment decisions. Therefore, the study clearly indicates the psychological effect of social media on the investment decisions of the investors. It is noteworthy that social media is not only an information provider for the investors but also plays an active role in the psychological behavior of the investors.

From the practical point of view, the study indicates the importance of being cautious while using social media. It is noteworthy that the investors must be cautious while using social media. Moreover, the study is beneficial for the Securities Board of Nepal (SEBON) because the findings of the study suggest the importance of digital financial literacy programs. Similarly, the study is beneficial for the financial institutions because the social media community may be an effective tool for the learning of the investors.

However, it has a few limitations as well. For example, it relies on self-reported data that might have response bias. It also only considers a single province. Another limitation of the study is that it does not consider any behavior over a period of time. Future studies can consider these limitations in a better way by using longitudinal designs.

Overall, it can be concluded that this study showed that social media not only acts as a source of information but also as a source that affects behavior in investment decisions of young investors in emerging markets.

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