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# How Social Media Influences Teen Investment Decisions

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**ABSTRACT:** This research study delves into the profound influence of social media and Metaverse technology on teenage investment decisions, utilizing comprehensive secondary data analysis. It meticulously examines the impact of social media platforms on financial literacy, highlighting the significant roles of influencers and engagement metrics. Additionally, the study explores the potential of virtual environments for interactive financial education and the investment opportunities therein, emphasizing the associated risks. Key findings reveal that while digital tools can enhance financial knowledge, they also expose teenagers to emotional and societal pressures, necessitating the need for clearer regulations and innovative educational methodologies to protect and inform young investors navigating this dynamic financial landscape.

**KEYWORDS:** Social Media, Metaverse, Teen Investment

## I. INTRODUCTION

In the current period, the interaction of social media and financial literacy has influenced the investment nature of teenagers. The increasing rate of social media platforms like TikTok, Instagram and YouTube have received and made accessible all financial information to teenagers so that they can engage in complicated investment concepts much earlier (Duffett, 2017). This digital switching has coincided with the occurrence of metaverses which is a virtual reality space where the users can interact with computer-generated environments and other users as well. In this situation, financial markets and investment opportunities are evolving swiftly and have presented significant challenges and opportunities for young investors (Shiva et al., 2020). Psychology has played an important role in understanding the investment decisions of teenagers in the digital mechanised environment. Influence of the surrounding people, intelligence quotient and the eloquent beware social media influences who are impacting financial decisions. The examination of the interpretation between social media metaverse technology and psychological factors has helped to explore the elements collectively for shaping the investment behaviours of teenagers (Sherman et al., 2016). The understanding of these dynamics is important to developing efficient educational action plans, and legal protocols for supporting informed and responsible investment mechanisms among teenagers.

### Rationale and Objective:

The flow in social media optimisation among teenagers has formulated a new arena for financial knowledge and investment nature. The emergence of the Metaverse has late the occurrence of interactions which has initiated new dimensions making it significant to understand distinctive influences on young investors (Charoensukmongkol, 2018). This research study has focused on investigating the ways through which social media platforms and virtual environments shape the investment decisions of teenagers, focusing on the psychological elements of these behaviours. With the expression of these influences, it can be identified that there are significant benefits and risks which has the potential to guide the creation of better educational techniques and tools along with a regulatory framework that will be implemented responsibly for the benefit of young people.

## II. OBJECTIVES

Analyze Social Media Impact: It has aimed to examine different social media platforms influencing the investment decisions of teenagers and focusing on various types of content and nutriliences that are driving their financial thought process.

- **Explore Metaverse Influence:** It has aimed to investigate the responsibility of the metaphors technology to shape teenagers' investment strategies and understand different virtual interactions and experiences that are affecting financial choices.
- **Assess Psychological Factors:** It has aimed to identify and examine the psychological factors which are creating intelligence biases and influence the pears that are meditating the relationship between social media, Metaverse and investment decisions among teen people.

### III. METHODOLOGY

This study has implemented secondary data analysis for examining the methodology applied by social media and media as technology to influence teenagers towards their investment decisions. Secondary data sources also involve academic journals, industry reports and services from reputed organisations like "The Financial Industry Regulatory Authority (FINRA) and the National Financial Educators Council" (Len-Ríos et al., 2016). Information on social media trains financial knowledge development programmes and Metaverse communication and examines for the identification of the patterns and insights in relation to teen investment decisions.

The analysis emphasized existing research findings that involve statistics regarding financial literacy programs and engagement metrics regarding social media platforms along with case studies for virtual investment environments. The important sources involve reports from "Bloomberg Intelligence on the Metaverse market, surveys by the Consumer Financial Protection Bureau (CFPB) regarding teen investment pressures, and studies by the Council for Economic Education on financial literacy program effectiveness".

The synthesizing of the data sources also involves the study that has aimed towards providing a comprehensive overview of the methodology applied by social media and virtual environments to impact financial literacy and investment decisions among teenagers (Plaisime et al., 2020). This approach has any recognition of the trends and educational gaps to inform recommendations for the enhancement of financial literacy and regulatory strategies.

### IV. LITERATURE REVIEW

#### Impact of Social Media on Financial Literacy and Behavior

As stated by Gentina et al. (2021), the current research has highlighted the growth of social media influence and financial education among teenagers. A recent study conducted by "The National Financial Educators Council" has found around 38% of teenagers have used social media as their optimal source of financial literacy. There are platforms like YouTube Tik Tok and Instagram that have provided access and engagement to financial content that has allowed teenagers to learn about budgeting and investing in a relatable and interactive way. The report prescribed by "The Financial Industry Regulatory Authority (FINRA)" has revealed around 45% of teenagers need to be engaged in financial content on social media which is indicative towards a significant role in financial literacy.

The different types of financial content famous among teenagers include short informative videos that explain complicated financial concepts into easy pieces. For example, the Tik Tok #FinTok community has gathered around 3 billion views and feature clips on the topics that range from stock market basics to trading in cryptocurrency (Weinstein, 2018). The influences or financial influences present rule in the environment where YouTube personalities like Graham Stephen who has more than 3 million subscribers have provided financial advice and insights. On the basis of the survey conducted by Piper Sandler, it has been found that around 35% of teenagers mainly invest based on suggestions from social media influences that underscore their resilient power. The influences not only made them literate but also motivated the followers to take proper steps towards financial management.

Engagement metrics involving likes, shares and comments have a significant impact on the credibility and belief in the financial advice on social media. Social media content has shaped the increasing engagement perceived by reliable and authoritative mechanisms. For instance, videos with millions of likes and positive comments have a tendency to be trusted more by the viewers (Keles et al., 2020). Based on the Pew Research Centre survey, around 72% of teenagers have reported that they trust content shared by the influencers that they follow. This belief is reinforced by social evidence that is being provided by engagement metrics. In addition to this, it can be a mixed blessing because high engagement does not always equal the accuracy and trustworthiness of the content disclosed. A similar survey conducted has notified around 27% of teenagers have made decisions based on misleading and false information gathered from social media led to financial loss. Therefore, engagement metrics can improve credibility which also necessitates significant evaluation of the validity of the content (Griffiths, 2018).

#### Metaverse Technology and Virtual Investment Environments

As suggested by Antheunis et al. (2016), the Metaverse is a collective virtual shared space that has been formulated based on the convergence of digitally developed physical reality and persistent virtual reality that has witnessed rapid growth in different sectors which also includes financial markets. It has originated from science fiction. Based on the



report published by Bloomberg Intelligence the Metaverse market size has the capability to reach around 800 million dollars by 2024. It has indicated towards the increasing influence and significant element within the financial arena. Within the digital environment, teenagers are engaging with financial education in innovative ways (Hamilton et al., 2020). For example, there are platforms like Roblox which offer digital stock markets where consumers can trade virtual assets by conducting gamified approaches to understand Real world financial market. These interactions can assist teams in grasping fundamental investment principles like market fluctuations and risk management in immersive and interactive settings. The study conducted by Global Web Index has highlighted around 63% of the Gen Z users who are interested to use Metaverse for financial education and showcase the appeal as the educational tool (Nesi et al. 2018).

Metaverse presented a wide variety of investment opportunities for teenagers. Virtual real estate is a notable instance of Digital properties in platforms like Decentraland being purchased and sold for prominent amounts. In 2021, a digital plot of land in Decentraland was expanded for around 2.4 million dollars that illustrated the high stakes and essential returns of digital investments. In addition to this, the optimisation of the cryptocurrencies within Metaverse has offered another opportunity for the investment with various platforms that are optimising blocks in technology so that transparent transactions and security can be facilitated (Miqdad and Oktaviani, 2021). The increasing popularity of nonsensical tokens also involves unique investment opportunities that have allowed teenagers to invest into digital art and collectables.

Moreover, there are opportunities that come with significant risks. The volatility of virtual currencies and the clear and clarified nature of virtual real estate and the state of the regulatory framework surround Metaverse with significant challenges (Perales et al., 2016). The survey by the Financial Industry Regulatory Authority has revealed that approximately 48% of young investors have expressed concerns regarding the absence of regulatory oversight in digital environments. In addition to this, the proximity of fraud and scams is increased in the metaphors where the complexity of virtual transactions was exported by fraudulent activities.

### Psychological Factors Influencing Teen Investment Decisions

Teenage investment decisions are essentially motivated by different psychological factors that include cognitive biases, and the influence of the peer and emotional controllers (Zozaya-Durazo et al., 2024). Cognitive biases also include overconfidence, collective behavior and perception of the risks which play an important role in shaping the approaching mechanism of teenagers towards investing. For example, overconfidence has led teenagers to underestimate the risk and overestimate their ability to predict the movements of the market. The research study implemented by the CFA Institute has found that around 40% of teenage investors display overconfidence that results in huge trading and poor investment outcomes. The collective behaviour by the individuals following the actions of a huge group can be pronounced among themes where they are controlled by famous trends and actions of their common friends. In 2021, it has been evident that GameStop trading frenzy has shared response to the social media posts that drove up the stock price irrespective of underlying financial elements (Bloemen and De Coninck, 2020). The influence of peers and social evidence has also impacted the investment choices of teenagers. The confirmation from social norms has gained approval from the society that is reading the teenagers to make individual investment decisions that will assist famous trends rather than effective and authentic financial analysis. The survey articulated by the financial industry regulatory authority has revealed that around 35% of the teenagers have reported making investment decisions based on their friends' activities. Social evidence where individuals followed others to determine the authenticity of the reactions that increase impact. For example, teenagers need to invest in trending stocks or cryptocurrencies so that they can focus on influential elements (Silvia, 2019). The emotional controllers like fear of missing out and excitement to earn more money play an important role. The FOMO impact has the anxiety to gain potential elements that can lead teenagers to make impulsive investment decisions without researching. In this study conducted by the University of California around 60% of the teenagers have confirmed that they made investment decisions based on FOMO. There has been the excitement of fast gains instigated by volatile assets like cryptocurrency that subdues practical decision-making. The elemental aspect of fast financial success can make interaction with teenagers by engaging in increasing the risk of the investments frequently without properly understanding potential downfall (Hadi et al., 2024).

### Educational Tools and Financial Literacy Programs

The financial education programs for teenagers have been developed proficiently which aimed towards addressing the increasing requirement for financial education among teenagers. There are recent programs like Junior Achievement's "JA Finance Park" and the National Endowment for Financial Education (NEFE) "High School Financial Planning

Program " that have provided structured curricula that have covered significant financial analogues like budgeting, saving and investing (Dwivedi et al., 2023). Based on the report of the Council for Economic Education, there are students who have participated in these programs with a 20% increase in financial knowledge and 15% increase in responsible financial behaviours. This program has provided a structured foundation with an increasing identification that integrated current digital tools by enhancing their efficiency.

The integration of social media and virtual reality in financial literacy programs has offered innovative methodologies so that teenagers can get engaged. Social media platforms TikTok and YouTube can be optimized for the creation of engaging financial content that has made resonations with teenagers. #FinTok community in TikTok has more than three billion views that demonstrate short inflammatory videos which can efficiently communicate financial concepts (Banerji, 2023). Similar to this virtual reality Technology can mix stimulation in real-life financial scenarios where it has allowed teenagers to make financial decisions where there will be no opportunity for the occurrence of risk in a virtual environment. The virtual relative financial literacy experience program has been beneficial. A PwC study report has found that around 70% of the teenagers who applied virtual reality to learn have reported increasing engagement in comparison to traditional methods. Innovative approaches to financial education and also increasing with social media and Metaverse (Park and Kim, 2022). In addition to this, the gamified financial education tools can be Everest into blockchain technology and non-fungible tokens to offer a unique incentive to learn. For example, there are platforms like "FinLit" that have applied in nifty rewards for motivating teenagers to finish financial education lectures. FINRA has indicated around 62% of teenagers are prone towards engaging in financial education if the session is interactive along with gamified components.

### **Regulatory and Ethical Considerations**

Financial content evolution and social media and digital platforms are increasingly controlled by the fast growth of virtual financial advice and investment scope. In recent times, financial advice on these platforms has been subjected to basic advertising and consumer protection regulations with specific guidelines that are scanty (Dutilleux and Chang, 2022). The Security Exchange Office of USA and FINRA have supervised financial content to some extent with the dynamic nature of social media that outpaced regulatory compliance. For example, while the Security Exchange Commission needs a financial advisor for registering and during judicial standards the application the standards to the social media influences need to be equivocal. The study presented by an investment company institute in 2023 has found that around 60% of the financial content on social media is the absence of scheduled regulatory supervision that raises concerns regarding wrong information and potential investor harm (David et al., 2023). Ethical Considerations are subjugated by targeting teenagers with financial content and investment opportunities. Teenagers who are born to emotional and cognitive biases are leveraged to misleading financial claims. The Consumer Financial Protection Bureau Survey has revealed that 45% of teenagers feel pressured by social media trends while making investment decisions without understanding the involved risks. This extreme stress can lead to ineffective financial choices with significant financial loss (Wu, 2023). In order to address this policymaker need to implement various recommendations for better protecting teenage investors. Primarily regulatory agencies need to develop clarified guidelines for financial content on social media and digital platforms that will ensure transparent, accurate and compliant financial advice. Secondly, platforms need to mandate including streamers regarding the risk associated with financial investment and provide literary resources so that teenagers can make informed decisions. Lastly, regulatory agencies need to collaborate with social media organisations and educational institutions for development of comprehensive financial literacy programs which are targeted for teenagers to critically think and make promising investments (Duffett, 2017).

### **V. CONCLUSION**

This research study has explored various impacts of social media and Metaverse Technology on teenage investment decisions that have revealed important insights about financial literacy and behaviour. The social media platform with huge reach and engaging content has played an important role in shaping the financial knowledge of teenagers and investment practices. There are platforms like TikTok and YouTube that provide significant financial literacy which also pose risks because of cognitive biases like overconfidence, collective behaviour and also the influence of pressure from peers and emotional controllers like FOMO.

The Metaverse has introduced new financial interactions and investment opportunities like digital real estate and cryptocurrencies which offered huge learning experiences. However, with the opportunities there were risks that involved increasing volatility and uncertainties in regulatory frameworks. In order to address these challenges, it is

important for the policymakers to establish ciphered regulations so that financial content on virtual platforms can ensure ethical parameters. The integration of social media and virtual reality into financial literacy upliftment can improve engagement that has doubled with significant safeguards for protecting teenagers. The delivery of secondary data and the study have highlighted the requirement for financial literacy programs and informed policy that has been measured to support and guide teenage investors to navigate financial landscape development.

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