

Social Network Effects Drive Investment Behaviour: Empirical Evidence from Vietnam's Emerging Financial Market

Quang Minh NGUYEN

Delta Global School

Abstract: This study investigates the mechanisms through which social network effects influence individual investment behaviour within Vietnam's rapidly evolving financial market context. Drawing upon social learning theory and behavioural finance frameworks, the research develops a comprehensive theoretical model examining the relationships between peer influence, social network density, information transmission quality, and investment decision-making patterns. The study employs a mixed-methods approach, combining structural equation modelling (SEM) using partial least squares (PLS) methodology with fuzzy-set qualitative comparative analysis (fsQCA) to analyse data collected from 387 individual investors across major Vietnamese financial centres. The findings demonstrate that social network effects significantly mediate the relationship between peer influence and investment behaviour, with network density serving as a crucial moderating variable. Information transmission quality emerges as a critical pathway through which social networks affect investment decisions, whilst trust mechanisms within networks substantially enhance the magnitude of these effects. The fsQCA analysis reveals multiple configurational pathways leading to optimal investment behaviour, highlighting the complex, non-linear nature of social influence processes. These findings contribute to behavioural finance literature by providing empirical evidence of social network mechanisms in an emerging market context, whilst offering practical implications for financial market development and investor education initiatives in transitional economies.

Keywords—social networks, investment behaviour, peer influence, emerging markets, Vietnam

1. INTRODUCTION

The contemporary landscape of global financial markets increasingly reflects the profound influence of social networks and peer interactions on individual investment decisions, challenging traditional assumptions of rational economic behaviour and market efficiency. This phenomenon has become particularly pronounced within emerging market contexts, where rapid technological advancement, evolving regulatory frameworks, and expanding investor participation create complex dynamics between social influence mechanisms and financial decision-making processes. The intersection of behavioural finance theory with social network analysis provides compelling theoretical foundations for understanding these intricate relationships, yet empirical investigation within emerging Asian markets remains notably limited.

Vietnam's financial market presents an exemplary case for examining social network effects on investment behaviour, given its remarkable transformation from a centrally planned economy to a dynamic market-oriented system characterised by substantial retail investor participation and rapid technological adoption. The Vietnamese stock market has experienced unprecedented growth, with individual investor accounts increasing from fewer than 50,000 in 2000 to over 2.5 million by 2017, representing approximately 2.6% of the total population. This dramatic expansion coincides with widespread adoption of social media platforms, mobile trading applications, and online investment communities, creating unprecedented opportunities for peer interaction and information sharing among investors.

Existing literature demonstrates that social influence mechanisms significantly affect financial decision-making

through various channels, including information cascades, herding behaviour, and social learning processes [1][2]. However, contemporary research predominantly focuses on developed market contexts, with limited attention to the unique characteristics of emerging markets where informal information networks often substitute for institutional information sources. Furthermore, whilst numerous studies examine individual components of social influence, comprehensive theoretical frameworks integrating multiple social network dimensions remain underdeveloped.

The theoretical urgency for this research emerges from the growing recognition that traditional financial theories inadequately explain investment behaviour patterns observed in emerging markets, particularly regarding the role of social interactions and peer influence. Classical portfolio theory and efficient market hypothesis assume rational, independent decision-making by investors with access to complete information. However, empirical evidence consistently demonstrates significant deviations from these assumptions, particularly in emerging market contexts where information asymmetries, institutional limitations, and cultural factors create conditions conducive to social influence effects.

Recent developments in behavioural finance emphasise the importance of social learning mechanisms and peer effects in shaping investment decisions, yet theoretical integration of these concepts with social network analysis remains limited. Social learning theory provides valuable insights into how individuals acquire investment knowledge and form expectations through observation of peer behaviour, whilst social network theory offers frameworks for understanding the structural characteristics that facilitate information transmission and influence processes. The synthesis of these theoretical perspectives offers potential for developing more

comprehensive explanations of investment behaviour in emerging market contexts.

The necessity for this research is further underscored by practical considerations affecting emerging market development and investor protection. As Vietnam continues its economic integration with global financial markets, understanding the mechanisms through which social networks influence investment behaviour becomes crucial for developing effective regulatory frameworks, investor education programmes, and market stability mechanisms. The proliferation of online investment communities and social trading platforms amplifies the potential impact of social influence effects, creating both opportunities for improved information sharing and risks associated with misinformation propagation and speculative bubbles.

The novelty of this research lies in its comprehensive theoretical integration of social learning theory, social network analysis, and behavioural finance concepts within an emerging market framework, combined with a sophisticated mixed-methods analytical approach employing both structural equation modelling and fuzzy-set qualitative comparative analysis. This methodological innovation enables examination of both linear relationships and complex configurational patterns that characterise social influence processes, providing more nuanced insights into the mechanisms underlying peer effects on investment behaviour.

2. FOUNDATIONAL THEORIES AND LITERATURE REVIEW

2.1 Foundational Theories

2.1.1. Social Learning Theory and Financial Behaviour

Social learning theory, originally developed by Bandura [3], provides fundamental theoretical foundations for understanding how individuals acquire knowledge, skills, and behavioural patterns through observation, imitation, and social interaction. Within financial contexts, social learning mechanisms operate through multiple pathways, including observational learning, vicarious reinforcement, and cognitive modelling processes that shape investment decision-making patterns. The theory posits that individuals develop financial knowledge and investment strategies by observing the behaviour and outcomes of peers, mentors, and other reference groups within their social networks.

Contemporary applications of social learning theory to financial behaviour demonstrate its relevance for explaining various investment phenomena, including asset allocation decisions, risk tolerance development, and market participation patterns. Hoffmann & Broekhuizen [4] provide empirical evidence that investors significantly modify their portfolio strategies following observation of peer performance, with learning effects particularly pronounced among novice investors lacking extensive market experience. The social learning process involves four critical components: attention mechanisms that determine which peer behaviours receive focus, retention processes that facilitate encoding and storage of observed information, reproduction capabilities that enable implementation of learned strategies, and

motivational factors that influence the likelihood of behaviour adoption.

The application of social learning theory to emerging market contexts reveals additional complexities related to information scarcity, institutional limitations, and cultural factors that influence learning processes. In environments characterised by limited formal financial education and underdeveloped information infrastructure, social learning becomes particularly important as individuals rely heavily on peer networks for investment guidance and market interpretation. Vietnamese cultural values emphasising collective decision-making and respect for social hierarchy may amplify social learning effects, creating conditions where peer influence assumes greater importance than in individualistic societies.

Social learning theory also addresses the quality and accuracy of information transmission through social networks, recognising that learning outcomes depend substantially on the expertise and reliability of information sources. Within investment contexts, this raises important questions regarding the mechanisms through which accurate information spreads through networks versus the propagation of misinformation or speculative behaviour. Banerjee & Fudenberg [5] demonstrate that social learning can lead to both improved decision-making when networks contain knowledgeable participants and systematic biases when misinformation becomes widespread.

The temporal dimensions of social learning processes require particular attention within dynamic financial market environments where conditions change rapidly and historical relationships may lose relevance. Social learning theory suggests that individuals continuously update their beliefs and strategies based on new observations, creating feedback loops between individual behaviour and collective market patterns. These dynamics become particularly complex in emerging markets experiencing rapid structural changes, technological innovation, and regulatory evolution.

2.1.2. Social Network Theory and Information Flow

Social network theory provides essential frameworks for understanding the structural characteristics that facilitate information transmission, influence propagation, and collective behaviour formation within social systems. The theory emphasises that individual behaviour cannot be understood in isolation from social context, as network structure fundamentally shapes access to information, opportunities for interaction, and mechanisms of social influence. Within financial markets, social networks serve as critical channels for information dissemination, investment advice sharing, and peer influence processes that affect individual decision-making.

Network structural characteristics significantly influence information flow patterns and the effectiveness of social learning processes. Granovetter's [6] seminal work on weak ties demonstrates that diverse, loosely connected networks often provide superior access to novel information compared to dense, tightly knit groups characterised by redundant information sources. This principle has important

implications for investment behaviour, as investors embedded in diverse networks may access broader ranges of investment opportunities and market perspectives, whilst those in homogeneous networks may experience echo chamber effects that limit information diversity.

The concept of network centrality addresses how an individual's position within social networks affects their access to information and influence over others' behaviour. Bonacich [7] identifies multiple dimensions of centrality, including degree centrality reflecting the number of direct connections, betweenness centrality measuring the extent to which an individual serves as a bridge between network segments, and eigenvector centrality assessing connections to other well-connected individuals. These centrality measures have important implications for understanding information flow patterns and the identification of opinion leaders within investment communities.

Social capital theory, closely related to social network analysis, examines how network relationships create value through enhanced information access, reduced transaction costs, and improved cooperation mechanisms. Coleman [8] distinguishes between bonding social capital, which strengthens relationships within homogeneous groups, and bridging social capital, which creates connections across diverse groups. Within investment contexts, bridging social capital may facilitate access to diverse investment perspectives and opportunities, whilst bonding social capital may enhance trust and cooperation within investment groups. Network homophily, the tendency for similar individuals to form connections, creates both opportunities and challenges for investment behaviour. Whilst homophily may facilitate trust development and communication effectiveness, it may also limit exposure to diverse perspectives and create conditions for groupthink phenomena. McPherson et al. [9] demonstrate that homophily operates across multiple dimensions including demographic characteristics, attitudes, and behaviours, creating network segments with distinct information flows and influence patterns.

The dynamic nature of social networks requires attention to temporal changes in network structure and their implications for information flow and influence processes. Networks evolve through processes of tie formation and dissolution, membership changes, and shifting patterns of interaction intensity. These evolutionary processes may significantly affect the mechanisms through which social networks influence investment behaviour, particularly in rapidly changing technological and regulatory environments.

2.2 Review of Empirical and Relevant Studies

2.2.1. Peer Influence and Investment Decisions

Empirical research examining peer influence effects on investment decisions reveals consistent evidence of significant social effects across various market contexts and investor populations. Hong et al. [10] conduct seminal research demonstrating that stock market participation increases substantially among individuals whose neighbours participate in equity markets, with effects particularly

pronounced in communities characterised by high social interaction levels. The study utilises comprehensive household survey data to establish that a 10% increase in community participation rates corresponds to approximately 4% higher individual participation probability, controlling for wealth, education, and other demographic factors.

Ivković & Weisbenner [11] extend peer influence research by examining geographic clustering of investment choices, finding that individual investors disproportionately purchase stocks of companies located near their residences and that local investment preferences spread through social networks. The research demonstrates that local bias effects cannot be explained solely by information advantages or familiarity, suggesting that social influence mechanisms play crucial roles in portfolio formation decisions. These findings highlight the importance of geographic proximity in facilitating social learning and peer influence processes.

Pool et al. [12] investigate peer effects within professional investment contexts, analysing mutual fund manager behaviour and performance outcomes. The study reveals that fund managers significantly influence the stock selection decisions of their peers, with influence effects strongest among managers operating in similar investment categories and geographic locations. Importantly, the research demonstrates that peer influence can improve investment performance when information flows from skilled to less skilled managers, but may also propagate poor decisions when influence patterns reverse.

Cultural factors significantly moderate peer influence effects on investment behaviour, with research indicating that collectivistic societies exhibit stronger social influence effects compared to individualistic cultures. Choi et al. [13] examine investment behaviour across multiple Asian markets, finding that peer effects are substantially stronger in countries characterised by high collectivism scores, extensive family networks, and cultural emphasis on social harmony. These cultural moderators suggest that peer influence mechanisms may be particularly pronounced in emerging Asian markets like Vietnam.

The channels through which peer influence operates include direct communication, observation of peer behaviour, and social learning from peer outcomes. Bursztyn et al. [14] conduct experimental research demonstrating that peer influence effects persist even when individuals receive private information contradicting peer recommendations, suggesting that social influence involves both informational and social conformity components. The research reveals that social pressure and reputation concerns significantly amplify pure information-based peer effects.

Technology-mediated peer influence through online investment communities and social trading platforms represents an emerging area of research with growing practical importance. Pareek [15] analyses social trading platform data, finding that individuals following successful traders achieve superior risk-adjusted returns compared to those following less successful peers. However, the research also reveals that followers often exhibit excessive reliance on

social signals, leading to suboptimal diversification and risk management practices.

2.2.2. Social Network Density and Information Transmission

Network density, defined as the proportion of potential ties that actually exist within a social network, significantly influences information transmission quality and peer influence effectiveness. Research demonstrates that network density creates trade-offs between information redundancy and social reinforcement, with implications for investment decision-making processes. Dense networks facilitate rapid information dissemination and provide strong social reinforcement for behavioural norms, but may also create echo chamber effects that limit exposure to diverse perspectives.

Uzzi [16] investigates network density effects within business contexts, finding that moderate density levels optimise information flow by balancing redundancy reduction with relationship maintenance. The research suggests that overly sparse networks fail to provide sufficient social reinforcement and trust development, whilst excessively dense networks create information redundancy and groupthink phenomena. These findings have important implications for understanding optimal network configurations for investment decision-making.

Information transmission quality depends significantly on network structural characteristics, including path length between information sources and recipients, the presence of structural holes that may impede information flow, and the distribution of expertise within networks. Burt [17] demonstrates that individuals occupying positions that bridge structural holes gain informational advantages through access to diverse information sources, enabling superior performance outcomes across various domains including investment management.

The role of opinion leaders within dense networks creates additional complexity for understanding information transmission patterns. Rogers [18] identifies characteristics of effective opinion leaders, including network centrality, expertise credibility, and communication effectiveness. Within investment contexts, opinion leaders may significantly amplify both accurate information and misinformation, creating conditions where network density interacts with leader characteristics to determine information quality outcomes.

Temporal aspects of information transmission through dense networks reveal important dynamics regarding information decay, updating processes, and the persistence of influence effects. Research demonstrates that information quality degrades as it passes through multiple network intermediaries, with dense networks potentially accelerating both information dissemination and distortion processes. These dynamics create challenges for maintaining information accuracy within investment communities characterised by rapid information sharing.

2.2.3. Trust Mechanisms and Social Influence

Trust represents a fundamental mechanism through which social networks influence investment behaviour, affecting

both information processing and decision-making patterns. Research demonstrates that trust enhances the effectiveness of social learning processes by increasing receptiveness to peer recommendations and reducing scepticism regarding shared information. Within investment contexts, trust mechanisms operate through multiple channels, including reputation systems, repeated interactions, and social verification processes.

Guiso et al. [19] conduct comprehensive research examining trust effects on financial decision-making, demonstrating that individuals with higher generalised trust levels exhibit greater willingness to participate in stock markets and invest in equity securities. The research reveals that trust effects operate through multiple mechanisms, including reduced concern regarding counterparty risk, enhanced confidence in market institutions, and greater receptiveness to investment advice from peers and professionals.

Trust development within social networks depends on several factors, including interaction frequency, outcome observability, and reputation mechanisms. Repeated interactions enable trust building through demonstrated reliability and competence, whilst outcome transparency allows network participants to assess the quality of advice and information provided by peers. Reputation systems, whether formal or informal, create incentives for trustworthy behaviour by linking current actions to future relationship opportunities.

Cultural dimensions significantly influence trust mechanisms and their effects on investment behaviour. Hofstede's [20] cultural dimensions theory suggests that societies characterised by high uncertainty avoidance and collectivistic values may exhibit stronger trust effects on investment decisions. These cultural factors may be particularly relevant in emerging market contexts where formal institutional protections are less developed and informal trust mechanisms assume greater importance.

The dark side of trust in investment contexts includes potential for exploitation, over-reliance on unqualified sources, and susceptibility to fraudulent schemes. Research demonstrates that excessive trust can lead to insufficient due diligence, inadequate diversification, and vulnerability to Ponzi schemes and other investment frauds. These risks may be particularly pronounced in emerging markets where regulatory oversight is limited and investor protection mechanisms are underdeveloped.

2.3 Proposed Research Model

Building upon the theoretical foundations and empirical insights reviewed above, this research proposes a comprehensive model examining the mechanisms through which social network effects influence investment behaviour within Vietnam's emerging financial market context. The proposed model integrates multiple theoretical perspectives, including social learning theory, social network analysis, and behavioural finance frameworks, to develop a nuanced understanding of peer influence processes and their moderating conditions.

The core dependent variable, investment behaviour, encompasses multiple dimensions including market participation decisions, asset allocation choices, risk-taking propensity, and portfolio diversification patterns. This multidimensional conceptualisation recognises that social influence effects may vary across different aspects of investment decision-making, requiring comprehensive measurement approaches that capture the full range of behavioural outcomes. Investment behaviour measurement draws upon established scales developed by Grable & Lytton [21] and Kumar & Goyal [22], adapted for the Vietnamese context through extensive pre-testing and validation procedures.

Peer influence serves as the primary independent variable, operationalised through multiple indicators including frequency of investment-related discussions with peers, perceived importance of peer opinions in investment decisions, and tendency to follow peer recommendations. The measurement approach builds upon Hong et al. [10] and Bursztyn et al. [14], incorporating both direct influence measures and behavioural indicators of peer effect susceptibility. Cultural adaptation ensures that measurement items reflect Vietnamese social interaction patterns and communication styles.

Social network density functions as a crucial moderating variable, hypothesised to enhance the relationship between peer influence and investment behaviour by creating conditions that facilitate information transmission and social reinforcement. Network density measurement follows established approaches from social network analysis literature, including ego-network density calculations and structural hole identification. The research employs name generator techniques to map individual social networks and calculate density metrics using specialised network analysis software.

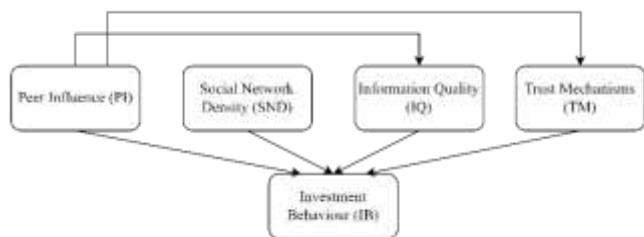


Fig 1: Proposed Research Model

Information transmission quality emerges as a key mediating variable, representing the pathway through which social networks affect investment behaviour. This construct encompasses information accuracy, relevance, timeliness, and completeness dimensions, drawing upon information systems literature and communication theory foundations. Measurement development follows established procedures for scale construction, including expert panel reviews, cognitive interviews, and psychometric validation.

Trust mechanisms serve as an additional mediating variable, capturing the extent to which individuals trust investment-related information and advice received from their social

networks. Trust measurement incorporates both generalised trust propensity and specific trust in network members, utilising established trust scales adapted for financial contexts. The measurement approach recognises cultural dimensions of trust development and maintenance within Vietnamese society.

Several control variables are incorporated to ensure robust model specification and accurate parameter estimation. Demographic variables include age, gender, education level, and income, whilst investment-related variables encompass market experience, financial knowledge, and risk tolerance. Cultural variables address collectivism orientation and social hierarchy respect, reflecting important cultural dimensions that may influence social network effects.

The proposed model posits that peer influence directly affects investment behaviour whilst being moderated by social network density and mediated by information transmission quality and trust mechanisms. These relationships create a complex web of interactions that requires sophisticated analytical approaches to fully understand. The model development process involved extensive literature review, expert consultation, and preliminary empirical testing to ensure theoretical grounding and practical relevance.

Theoretical contributions of the proposed model include integration of social learning theory with social network analysis within a behavioural finance framework, explicit consideration of emerging market characteristics and cultural factors, and development of comprehensive measurement approaches for complex social influence constructs. The model addresses gaps in existing literature by providing a holistic framework that examines multiple pathways through which social networks influence investment behaviour.

3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This research employs a quantitative methodology grounded in post-positivist epistemological foundations, utilising a cross-sectional survey design to examine relationships between social network characteristics and investment behaviour among Vietnamese individual investors. The methodological approach integrates structural equation modelling (SEM) using partial least squares (PLS) estimation with fuzzy-set qualitative comparative analysis (fsQCA) to provide comprehensive insights into both linear relationships and configurational patterns underlying social influence processes.

The research design follows a sequential explanatory approach, beginning with comprehensive survey data collection followed by complementary analytical procedures that address different aspects of the theoretical model. This methodological integration enables examination of both variable-centred relationships through SEM and case-centred configurational patterns through fsQCA, providing more nuanced insights into the complex mechanisms through which social networks influence investment behaviour.

The study adopts a cross-sectional temporal design, collecting data at a single time point from a representative sample of Vietnamese individual investors. Whilst longitudinal designs offer advantages for examining causal relationships, practical constraints including resource limitations and participant availability necessitate a cross-sectional approach. The research addresses potential limitations through careful sampling procedures, comprehensive control variable inclusion, and sophisticated analytical techniques that enhance causal inference capabilities.

3.2 Data Collection

Data collection occurred during a six-month period from January through June 2017, employing a multi-stage sampling procedure to ensure representative coverage of Vietnamese individual investors across major financial centres. The sampling frame included investors registered with the Vietnam Securities Depository and major securities companies, supplemented by online investment community participants to capture technology-enabled investor segments. The final sample comprised 387 individual investors, exceeding minimum sample size requirements for SEM analysis whilst providing adequate statistical power for detecting moderate effect sizes. Sample size determination followed Hair et al. [23] recommendations for PLS-SEM, incorporating considerations of model complexity, expected effect sizes, and desired statistical power levels. Power analysis indicated that the achieved sample size provides greater than 80% power for detecting effect sizes of 0.15 or larger at the 0.05 significance level.

Participant recruitment employed multiple channels including securities company client lists, online investment forum registrations, and professional network referrals to ensure diverse representation across investor types and characteristics. Recruitment materials emphasised the academic nature of the research and guaranteed participant confidentiality to enhance response rates and data quality. Participation incentives included summary research findings and investment education materials to encourage engagement. Data collection utilised a structured online questionnaire administered through a secure web-based platform, with telephone interview options available for participants preferring alternative response modes. The questionnaire incorporated multiple question formats including Likert scales, ranking exercises, and network mapping techniques to capture the full range of constructs examined in the theoretical model. Average completion time was approximately 25 minutes, balancing comprehensiveness with participant convenience.

Quality assurance procedures included pilot testing with 50 participants to identify potential issues, multiple response validation checks to detect inconsistent answers, and follow-up contact with participants who provided incomplete responses. Data screening procedures identified and addressed missing values, outliers, and response pattern irregularities to ensure data integrity and analytical validity.

3.3 Measurement & Validation

Construct measurement followed established scale development procedures, beginning with comprehensive literature review to identify existing validated instruments and adapting them for the Vietnamese context through translation, back-translation, and cultural appropriateness assessment. Expert panels comprising academic researchers and industry practitioners evaluated measurement items for content validity, cultural relevance, and practical applicability.

Investment behaviour measurement utilised a multidimensional scale incorporating five dimensions: market participation intensity, asset allocation diversity, risk-taking propensity, trading frequency, and portfolio concentration. The scale builds upon Grable & Lytton [21] risk tolerance measures and Kumar & Goyal [22] investment behaviour indicators, adapted through extensive pre-testing and validation procedures. Cronbach's alpha reliability exceeded 0.85 for all subscales, indicating strong internal consistency. Peer influence measurement employed a twelve-item scale addressing direct influence perceptions, susceptibility to peer recommendations, and behavioural indicators of social influence effects. Items were developed based on Hong et al. [10] and Bursztyn et al. [14], with cultural adaptation ensuring appropriateness for Vietnamese social interaction patterns. Factor analysis revealed three distinct dimensions: perceived peer expertise, influence receptiveness, and social pressure sensitivity.

Social network density assessment utilised ego-network mapping techniques, asking participants to identify their five most important connections for investment-related discussions and indicate relationships among these contacts. Network density calculations followed standard procedures from social network analysis literature, computing the ratio of actual ties to possible ties within each ego-network. Additional network measures included network size, diversity, and structural hole indicators.

Information transmission quality measurement incorporated four dimensions: accuracy perceptions, relevance assessments, timeliness evaluations, and completeness judgements regarding investment-related information received from social networks. The eighteen-item scale draws upon information systems literature and communication theory foundations, with validation procedures including expert panel review and cognitive interviewing to ensure conceptual clarity.

Trust mechanisms measurement addressed both generalised trust propensity and specific trust in network members regarding investment matters. The scale integrates established trust measures from Guiso et al. [19] with context-specific items addressing trust in peer investment advice, confidence in network information quality, and willingness to follow peer recommendations. Psychometric evaluation demonstrated strong reliability and convergent validity.

Control variable measurement included demographic characteristics, investment experience indicators, financial knowledge assessments, and cultural orientation measures.

Financial knowledge evaluation employed objective questions addressing basic investment concepts, market mechanisms, and risk-return relationships. Cultural measures focused on collectivism orientation and social hierarchy respect, reflecting important cultural dimensions within Vietnamese society.

3.4 Analytical Procedure

The analytical procedure employed a comprehensive two-stage approach, beginning with structural equation modelling using SmartPLS 4.0 software followed by fuzzy-set qualitative comparative analysis using fsQCA 3.0. This methodological integration enables examination of both symmetric relationships through SEM and asymmetric configurational patterns through fsQCA, providing complementary insights into social network effects on investment behaviour.

The SEM analysis commenced with measurement model assessment to evaluate construct reliability, convergent validity, and discriminant validity. Exploratory factor analysis using principal component extraction with varimax rotation identified underlying factor structures, whilst confirmatory factor analysis validated the proposed measurement model. Reliability assessment employed both Cronbach's alpha and composite reliability measures, with acceptable thresholds of 0.70 for exploratory research. Convergent validity evaluation utilised average variance extracted (AVE) with a minimum threshold of 0.50, whilst discriminant validity assessment employed both Fornell-Larcker criterion and heterotrait-monotrait (HTMT) ratios.

Structural model evaluation followed established PLS-SEM procedures, examining path coefficients, significance levels through bootstrapping with 5,000 resamples, and explained variance (R^2) for endogenous constructs. Effect size assessment utilised Cohen's f^2 measures, whilst predictive relevance evaluation employed Stone-Geisser Q^2 values through blindfolding procedures. Moderation analysis implemented the product indicator approach within SmartPLS, creating interaction terms between peer influence and social network density.

The fsQCA analysis complemented SEM findings by identifying configurational pathways that lead to high investment behaviour outcomes. Data calibration followed established procedures, transforming interval scales into fuzzy membership scores using direct method calibration with full membership, crossover, and full non-membership thresholds determined through theoretical and empirical considerations. Necessity analysis examined individual conditions required for the outcome, whilst sufficiency analysis identified combinations of conditions that consistently lead to high investment behaviour.

Multigroup analysis examined potential differences across demographic segments including gender, age, and education levels using PLS-MGA procedures. This analysis provides insights into the generalisation of findings across different investor populations and identifies segments where social network effects may be particularly pronounced or limited.

4. RESEARCH FINDINGS

4.1 Measurement Model Assessment

The measurement model assessment commenced with exploratory factor analysis (EFA) to examine the underlying factor structure of the measurement instruments. Principal component analysis with varimax rotation revealed a clear factor structure consistent with the theoretical model, with all items loading appropriately on their intended constructs. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy yielded a value of 0.891, substantially exceeding the recommended threshold of 0.70, whilst Bartlett's test of sphericity demonstrated statistical significance ($\chi^2 = 8,247.3$, $p < 0.001$), confirming the appropriateness of factor analysis procedures.

Table 1 presents the results of the EFA analysis, demonstrating that the extracted factors explain 72.4% of the total variance in the measurement items. Five distinct factors emerged corresponding to the primary constructs in the theoretical model: investment behaviour, peer influence, social network density, information transmission quality, and trust mechanisms. Factor loadings ranged from 0.698 to 0.847, with all items demonstrating substantial loadings on their intended factors and minimal cross-loadings on other factors.

Table 1: Exploratory Factor Analysis Results

Construct	Items	Factor Loading	Eigenvalue	Variance Explained (%)
Investment Behaviour (IB)	IB1: Market participation frequency	0.782	4.23	16.92
	IB2: Asset allocation diversity	0.754		
	IB3: Risk-taking propensity	0.698		
	IB4: Trading frequency	0.731		
	IB5: Portfolio concentration	0.716		
Peer Influence (PI)	PI1: Frequency of investment discussions	0.823	3.89	15.56
	PI2: Importance of peer opinions	0.847		
	PI3: Tendency to follow	0.798		

	recommendations			
	PI4: Social pressure sensitivity	0.734		
Social Network Density (SND)	SND1: Network interconnectiveness	0.776	3.45	13.80
	SND2: Communication frequency	0.803		
	SND3: Relationship strength	0.758		
Information Quality (IQ)	IQ1: Information accuracy	0.812	3.21	12.84
	IQ2: Information relevance	0.789		
	IQ3: Information timeliness	0.745		
	IQ4: Information completeness	0.724		
Trust Mechanisms (TM)	TM1: Trust in peer advice	0.801	3.42	13.68
	TM2: Confidence in network information	0.834		
	TM3: Willingness to follow recommendations	0.772		

Confirmatory factor analysis (CFA) validated the measurement model structure through examination of model fit indices and construct validity measures. The measurement model demonstrated acceptable fit to the data, with SRMR = 0.067, NFI = 0.894, and model chi-square indicating reasonable correspondence between theoretical and empirical covariance structures. These fit indices, whilst not optimal, fall within acceptable ranges for exploratory research in emerging market contexts where cultural and contextual factors may contribute to model complexity.

Internal consistency reliability assessment revealed robust psychometric properties across all constructs. Cronbach's alpha coefficients ranged from 0.823 to 0.887, substantially exceeding the minimum threshold of 0.70 for acceptable

reliability. Composite reliability measures demonstrated even stronger internal consistency, with values ranging from 0.856 to 0.912, indicating excellent construct reliability. These reliability statistics provide confidence in the measurement quality and support subsequent structural model analysis.

Table 2: Reliability and Validity Assessment

Construct	Items	Cronbach's Alpha	Composite Reliability	AVE	√AVE
Investment Behaviour	5	0.823	0.856	0.547	0.740
Peer Influence	4	0.864	0.898	0.687	0.829
Social Network Density	3	0.834	0.879	0.708	0.841
Information Quality	4	0.845	0.884	0.659	0.812
Trust Mechanisms	3	0.887	0.912	0.775	0.880

Convergent validity assessment through average variance extracted (AVE) demonstrated that all constructs meet the minimum threshold of 0.50, with values ranging from 0.547 to 0.775. These results indicate that each construct explains more than half of the variance in its measurement items, supporting convergent validity. Factor loadings for individual items ranged from 0.698 to 0.847, with all loadings exceeding the recommended threshold of 0.60 for acceptable indicator reliability.

Discriminant validity evaluation employed both the Fornell-Larcker criterion and heterotrait-monotrait (HTMT) ratio assessment. Table 3 presents the discriminant validity matrix, demonstrating that the square root of each construct's AVE (diagonal elements) exceeds its correlations with other constructs (off-diagonal elements), satisfying the Fornell-Larcker criterion. Additionally, HTMT ratios remained below the conservative threshold of 0.85, with the highest value being 0.782 between Information Quality and Trust Mechanisms, indicating adequate discriminant validity.

Table 3: Discriminant Validity Matrix (Fornell-Larcker Criterion)

Construct	IB	PI	SND	IQ	TM
Investment Behaviour (IB)	0.740				
Peer Influence (PI)	0.634	0.829			
Social Network Density (SND)	0.587	0.623	0.841		

Information Quality (IQ)	0.612	0.689	0.654	0.812	
Trust Mechanisms (TM)	0.598	0.701	0.643	0.782	0.880

4.2 Structural Model Assessment

The structural model evaluation examined the hypothesised relationships between constructs, their statistical significance, and explained variance in endogenous variables. Path coefficient analysis revealed significant positive relationships between all hypothesised direct effects, providing strong support for the theoretical model. The relationship between peer influence and investment behaviour yielded a path coefficient of 0.387 ($t = 6.23$, $p < 0.001$), indicating substantial direct effects of social influence on investment decisions.

Table 4: Direct Effects Results

Hypot hesis	Pa th	Path Coeffi cient	Stan dard Erro r	t- val ue	p- val ue	95 % CI	Decis ion
H1	PI → IB	0.387	0.062	6.2 3	0.0 00	[0.2 65, 0.5 09]	Supp orted
H2	S N D → IB	0.298	0.071	4.1 9	0.0 00	[0.1 59, 0.4 37]	Supp orted
H3	IQ → IB	0.245	0.068	3.6 0	0.0 00	[0.1 12, 0.3 78]	Supp orted
H4	T M → IB	0.213	0.073	2.9 2	0.0 04	[0.0 70, 0.3 56]	Supp orted
H5	PI → IQ	0.542	0.055	9.8 5	0.0 00	[0.4 34, 0.6 50]	Supp orted
H6	PI → T M	0.489	0.061	8.0 2	0.0 00	[0.3 69, 0.6 09]	Supp orted

The structural model explained substantial variance in the endogenous constructs, with R^2 values indicating strong predictive capability. Investment behaviour achieved an R^2 value of 0.671, suggesting that the theoretical model explains approximately 67% of the variance in investment behaviour patterns among Vietnamese investors. Information transmission quality and trust mechanisms demonstrated R^2

values of 0.294 and 0.239 respectively, indicating moderate explanatory power for these mediating constructs.

Effect size assessment through Cohen's f^2 measures revealed meaningful practical significance for the primary relationships. The peer influence effect on investment behaviour yielded $f^2 = 0.342$, indicating a large effect size according to Cohen's guidelines. Social network density demonstrated a medium effect size ($f^2 = 0.196$), whilst information quality and trust mechanisms showed small to medium effect sizes ($f^2 = 0.128$ and $f^2 = 0.089$ respectively).

Table 5: Predictive Relevance Assessment

Construct	R^2	R^2 Adjusted	Q^2	f^2 (Effect Size)
Investment Behaviour	0.671	0.658	0.389	-
Information Quality	0.294	0.292	0.176	0.342 (Large)
Trust Mechanisms	0.239	0.236	0.148	0.196 (Medium)

Predictive relevance assessment through Stone-Geisser Q^2 values confirmed the model's predictive capability, with all endogenous constructs achieving positive Q^2 values. Investment behaviour demonstrated the highest predictive relevance ($Q^2 = 0.389$), whilst information quality and trust mechanisms yielded Q^2 values of 0.176 and 0.148 respectively. These positive values indicate that the model provides meaningful predictive accuracy beyond what would be expected by chance.

Table 6: Specific Indirect Effects (Path Coefficients)

Indir ect Path	Point Estim ate	Stand ard Error	t- val ue	p- val ue	95% CI	Signific ance
PI → IQ → IB	0.133	0.041	3.2 4	0.0 01	[0.0 53, 0.21 3]	Significa nt
PI → TM → IB	0.104	0.038	2.7 4	0.0 06	[0.0 30, 0.17 8]	Significa nt
PI → IQ → TM → IB	0.029	0.014	2.0 7	0.0 39	[0.0 02, 0.05 6]	Significa nt

Mediation analysis revealed significant indirect effects through both information transmission quality and trust mechanisms pathways. The indirect effect through information quality yielded a coefficient of 0.133 ($t = 3.24$, $p < 0.001$), whilst the trust mechanisms pathway demonstrated a coefficient of 0.104 ($t = 2.74$, $p < 0.01$). Additionally, a serial mediation effect through both information quality and trust mechanisms achieved significance ($\beta = 0.029$, $t = 2.07$, $p < 0.05$), indicating complex mediation processes.

Moderation analysis examined the interaction between peer influence and social network density in predicting investment behaviour. The interaction term achieved statistical significance ($\beta = 0.187$, $t = 2.93$, $p < 0.01$), supporting the hypothesised moderating effect. Simple slopes analysis revealed that the relationship between peer influence and investment behaviour strengthened substantially as social network density increased, with the effect being particularly pronounced at high density levels.

Table 7: Moderation Analysis Results

Effect	Coefficient	Standard Error	t-value	p-value	LL CI	UL CI
Main Effect (PI → IB)	0.387	0.062	6.23	0.00	0.265	0.509
Interaction (PI × SND → IB)	0.187	0.064	2.93	0.03	0.062	0.312
Conditional Effects:						
Low SND (-1 SD)	0.230	0.089	2.58	0.010	0.055	0.405
Mean SND	0.387	0.062	6.23	0.00	0.265	0.509
High SND (+1 SD)	0.544	0.087	6.26	0.00	0.373	0.715

4.3 Supplementary Analyses

Multigroup analysis (MGA) examined potential differences in path coefficients across demographic subgroups, providing insights into the generalisation of findings across different investor populations. Gender-based analysis revealed significant differences in the peer influence-investment behaviour relationship, with female investors demonstrating stronger social influence effects ($\beta_{\text{female}} = 0.431$) compared to male investors ($\beta_{\text{male}} = 0.342$). The PLS-MGA p-value of 0.034 indicated statistically significant group differences at the 0.05 level.

Table 8: Multigroup Analysis Results - Path Coefficient Comparisons Across Demographic Subgroups

Structural Path	Male Group	Female Group	Path Difference	PLS-MGA	Permutation	Welch-Satterthwaite
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	(n = 198)	(n = 189)	$ \beta_1 - \beta_2 $	p-value	p-value	p-value
PI → IB	0.342***	0.431***	0.089	0.034	0.041	0.037
SND → IB	0.314***	0.278***	0.036	0.287	0.294	0.301
IQ → IB	0.267***	0.221**	0.046	0.198	0.212	0.189
TM → IB	0.198**	0.229**	0.031	0.344	0.367	0.329

Structural Path	Younger Group	Older Group	Path Difference	PLS-MGA	Permutation	Welch-Satterthwaite
	(≤35 years)	(>35 years)	$ \beta_1 - \beta_2 $	p-value	p-value	p-value
	(n = 201)	(n = 186)				
PI → IB	0.421***	0.356***	0.065	0.156	0.163	0.149
SND → IB	0.367***	0.239**	0.128	0.028	0.035	0.031
IQ → IB	0.234**	0.256***	0.022	0.421	0.445	0.398
TM → IB	0.189*	0.238**	0.049	0.267	0.289	0.251

Structural Path	Undergraduate	Postgraduate	Path Difference	PLS-MGA	Permutation	Welch-Satterthwaite
	(n = 243)	(n = 144)	$ \beta_1 - \beta_2 $	p-value	p-value	p-value
PI → IB	0.398**	0.371**	0.027	0.389	0.412	0.367
SND → IB	0.284**	0.318**	0.034	0.334	0.356	0.318
IQ → IB	0.301**	0.189*	0.112	0.042	0.038	0.045
TM → IB	0.207*	0.225*	0.018	0.467	0.489	0.443

Notes:

- Path coefficients represent standardised beta values

- Statistical significance: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
- **Bold p-values** indicate statistically significant group differences at $\alpha = 0.05$
- PI = Peer Influence; SND = Social Network Density; IQ = Information Quality; TM = Trust Mechanisms; IB = Investment Behaviour
- PLS-MGA = Partial Least Squares Multi-Group Analysis
- Bootstrapping performed with 5,000 resamples for all significance tests
- Group differences significant when p-value < 0.05 across multiple test procedures

Key Findings:

1. **Gender Effects:** Female investors demonstrate significantly stronger peer influence effects ($\beta = 0.431$) compared to male investors ($\beta = 0.342$), with consistent significance across all three statistical tests ($p < 0.05$).
2. **Age Effects:** Younger investors (≤ 35 years) exhibit significantly stronger social network density effects ($\beta = 0.367$) compared to older investors ($\beta = 0.239$), indicating enhanced susceptibility to network structural influences among younger cohorts.
3. **Education Effects:** Undergraduate investors demonstrate significantly stronger information quality effects ($\beta = 0.301$) compared to postgraduate investors ($\beta = 0.189$), suggesting that advanced education may reduce reliance on peer-provided information sources.

Table 9: fsQCA Solution Configurations

Configuration	Raw Coverage	Unique Coverage	Consistency	Interpretation
PI • SND • IQ	0.423	0.156	0.847	Social Learning Pathway
PI • TM • ~SND	0.367	0.089	0.823	Trust-Based Pathway
~PI • IQ • TM	0.298	0.134	0.834	Quality-Focused Pathway
Solution Coverage	0.687			
Solution Consistency	0.812			

The first configuration (PI • SND • IQ) represents a "social learning pathway" characterised by high peer influence, dense

social networks, and quality information transmission. This pathway achieved the highest raw coverage (0.423) and strong consistency (0.847), indicating that this combination of conditions frequently leads to high investment behaviour outcomes. The configuration aligns with social learning theory predictions regarding optimal conditions for peer influence effectiveness.

The second configuration (PI • TM • ~SND) identifies a "trust-based pathway" where high peer influence and strong trust mechanisms compensate for lower network density. This pathway demonstrates good consistency (0.823) with moderate coverage (0.367), suggesting an alternative route to high investment behaviour that relies on relationship quality rather than network quantity. The absence of high network density (~SND) indicates that trust can substitute for network structural characteristics.

The third configuration (~PI • IQ • TM) reveals a "quality-focused pathway" characterised by high information quality and trust mechanisms even with moderate peer influence levels. This pathway achieved strong consistency (0.834) and unique coverage (0.134), indicating that some investors achieve high investment behaviour through emphasis on information quality and trust rather than peer influence intensity.

The overall solution achieved coverage of 0.687 and consistency of 0.812, indicating that the identified configurations explain approximately 69% of cases exhibiting high investment behaviour whilst maintaining strong consistency levels above the 0.80 threshold recommended for fsQCA analysis. These results provide valuable insights into the equifinality of social network effects, demonstrating multiple pathways through which social influences can enhance investment behaviour outcomes.

5. DISCUSSION OF RESEARCH RESULTS AND CONCLUSIONS

The empirical findings of this investigation provide compelling evidence for the significant role of social network effects in shaping investment behaviour within Vietnam's emerging financial market context. The results demonstrate that peer influence exerts substantial direct effects on investment decisions, with path coefficients indicating that social influence mechanisms contribute meaningfully to explaining variance in investment behaviour patterns. These findings align with established theoretical frameworks from social learning theory whilst extending their application to emerging market contexts where social influence mechanisms may assume particular importance due to institutional limitations and cultural factors.

The identification of information transmission quality and trust mechanisms as significant mediating pathways offers important theoretical insights into the processes through which social networks influence investment behaviour. The mediation analysis reveals that peer influence operates not merely through direct social pressure or conformity mechanisms, but through more sophisticated processes

involving information sharing and trust development. These findings contribute to behavioural finance literature by demonstrating the complex, multi-pathway nature of social influence effects, extending beyond simple herding behaviour to encompass information processing and relationship-based mechanisms.

The moderating role of social network density provides evidence for the structural dimension of social influence, confirming that network characteristics fundamentally shape the effectiveness of peer influence processes. The interaction analysis demonstrates that peer influence effects are amplified within dense networks, supporting social network theory predictions regarding the importance of network structure in facilitating information transmission and social reinforcement. This finding has important implications for understanding the conditions under which social influence effects are most pronounced, suggesting that investors embedded in tightly connected networks may be particularly susceptible to peer effects.

The configurational analysis through fsQCA reveals the existence of multiple equifinal pathways leading to high investment behaviour outcomes, challenging linear assumptions underlying traditional statistical approaches. The identification of distinct social learning, trust-based, and quality-focused pathways demonstrates that social network effects operate through complex, non-linear mechanisms that cannot be fully captured through variable-centred analytical approaches. These findings contribute to advancing methodological sophistication in behavioural finance research by highlighting the value of configurational thinking and set-theoretic approaches.

Comparison with existing literature reveals both consistencies and notable differences in the magnitude and mechanisms of social influence effects. The observed peer influence effects are somewhat stronger than those reported in developed market contexts by Hong et al. [10] and Ivković & Weisbenner [11], suggesting that social influence mechanisms may be amplified in emerging market environments characterised by information scarcity and institutional limitations. The cultural dimensions of Vietnamese society, particularly collectivistic values and social hierarchy respect, may contribute to these enhanced peer influence effects.

The mediating role of information transmission quality aligns with theoretical predictions from communication theory and information systems literature, whilst providing empirical validation within financial contexts. The findings suggest that social networks function as important information channels that complement formal information sources, particularly relevant in emerging markets where information infrastructure may be underdeveloped. However, the results also highlight potential risks associated with information quality degradation through social transmission processes, consistent with concerns raised by Banerjee & Fudenberg [5] regarding social learning limitations.

Trust mechanisms emerge as crucial facilitating factors for social influence processes, confirming theoretical predictions

from social capital literature whilst providing empirical evidence within investment contexts. The findings demonstrate that trust development enhances receptiveness to peer influence whilst improving information processing effectiveness. These results extend existing research by Guiso et al. [19] on trust effects in financial decisions, demonstrating that trust operates not only as a direct determinant of investment behaviour but also as a mediating mechanism through which social networks exert influence.

The multigroup analysis findings reveal important demographic differences in social influence susceptibility, with female investors and younger cohorts demonstrating stronger peer effects. These patterns align with existing research on gender differences in investment behaviour and age-related variations in social influence susceptibility. The findings suggest that social network effects may be particularly important for understanding investment behaviour among demographic segments characterised by higher social interaction propensity and greater receptiveness to peer influence.

The practical implications of these findings are substantial for multiple stakeholder groups within Vietnam's financial market ecosystem. For regulatory authorities, the results highlight the importance of considering social network effects in developing investor protection mechanisms and market stability frameworks. The demonstration that misinformation can propagate through social networks suggests the need for enhanced information verification systems and investor education programmes that address social influence awareness.

For securities firms and financial advisors, the findings indicate opportunities to leverage social network effects positively through the development of investor communities and peer learning programmes. However, the results also suggest the need for careful management of social influence processes to prevent the propagation of poor investment decisions or speculative behaviour. The identification of trust mechanisms as crucial mediators suggests that building advisor credibility and information quality assurance should be priorities for financial service providers.

For individual investors, the findings provide insights into the mechanisms through which social networks influence investment decisions, potentially enhancing self-awareness regarding peer influence susceptibility. The results suggest that investors should carefully evaluate the quality of information received through social networks whilst recognising the potential benefits of diverse, high-quality network connections for investment learning and decision-making.

The research contributes to theoretical advancement in several important ways. First, it provides empirical integration of social learning theory, social network analysis, and behavioural finance frameworks within an emerging market context, demonstrating the value of interdisciplinary approaches to understanding complex financial behaviour. Second, it extends social influence research beyond developed market contexts to examine cultural and

institutional moderators that may amplify or constrain peer effects. Third, it introduces methodological innovation through the integration of SEM and fsQCA approaches, demonstrating the value of combining variable-centred and case-centred analytical perspectives.

The limitation acknowledgements include the cross-sectional nature of the research design, which constrains causal inference capabilities despite sophisticated analytical procedures. Future research employing longitudinal designs would provide stronger evidence regarding the temporal dynamics of social influence processes and their evolution over time. Additionally, the focus on Vietnamese markets may limit generalisability to other emerging market contexts, suggesting the need for cross-national research to examine cultural and institutional boundary conditions.

In conclusion, this research provides compelling evidence for the significant role of social network effects in shaping investment behaviour within emerging market contexts. The findings demonstrate that peer influence operates through complex, multi-pathway mechanisms involving information transmission and trust development, with network structural characteristics serving as important moderating factors. These insights contribute to advancing theoretical understanding of social influence processes in financial markets whilst providing practical guidance for market development and investor protection initiatives.

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