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Social Media Influence on ESG Investment Intentions: Herding Effects Among Young Investors

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Abstract: The rapid growth of Environmental, Social, and Governance (ESG) investing has coincided with the increasing reliance of young investors on social media for financial decision-making. While digital platforms and financial influencers ("finfluencers") accelerate information dissemination, limited empirical work explains how digital cues interact with psychological biases in emerging markets. Drawing upon the Theory of Planned Behavior (TPB) and Social Influence Theory, this conceptual study proposes a framework to investigate the effect of social media exposure on ESG investment intentions among young retail investors in Malaysia, while examining herding behavior as a moderating mechanism. The proposed framework outlines a quantitative cross-sectional research design utilizing Partial Least Squares Structural Equation Modelling (PLS-SEM) to test the structural relationships. The paper provides theoretical insights into the convergence of digital media dynamics, psychological biases, and sustainable finance in emerging markets, offering practical implications for policymakers, financial institutions, and regulators.

Keywords: *Social Media Influence, ESG Investing, Investment Intention, Herding Behavior, Theory of Planned Behavior*

1. Introduction and Background

Environmental, Social and Governance (ESG) investing has become a pillar in modern financial systems (Dinh & Xiao, 2025; Tiwari et al., 2024). In developing countries such as Malaysia, this transformation is driven by retail investors from Generation Z and Millennials. They want to grow their wealth while having socially responsible and environmentally conscious investments (Martutiningrum & Catyanadika, 2025; Tiwari et al., 2024). These trends support national sustainability goals with the supporting structure of Bursa Malaysia's enhanced ESG reporting (Ahmad et al., 2021).

With the digitalization of financial markets, the way young retail investors collect and analyze financial data has been greatly impacted and changed (Hamid et al., 2022; Jaya et al., 2025). The new media contains both market and social data. Ningtyas et al. (2024) believed that the new media has social influences. An individual's perception of the market and understanding of the market is based on their peers, and their success is influenced by their friends' social media posts. The new media is dominated by financial influencers and social media peer networks who quickly change the perceptions of the financial markets on social media via social proof and viral content (Joseph et al., 2025; Ningtyas et al., 2024). However, the speed of social media combined with the unstructured format of communication has created a number of behavioral and psychological issues, such as a strong tendency toward herding. Investors will completely disregard private information and will blindly follow the sentiment of the digital crowd (Koutmos, 2024; Abdul Manaf et al., 2024).

While the body of literature on sustainable finance is expanding rapidly, existing research exhibits three critical deficiencies. Most ESG literature in emerging markets focuses heavily on corporate ESG disclosures and firm valuation (Ahmad et al., 2021), offering sparse empirical insights into individual retail investor decision-making.

(Abdul Manaf et al., 2024). Although social media is recognized as a key news channel for Generation Z (Jaya et al., 2025), studies rarely examine how distinct dimensions of social media exposure (informational vs. normative influence) translate into actual sustainable investment intentions (Joseph et al., 2025). Furthermore, most behavioral finance literature treats herding behaviour strictly as a direct predictor of asset pricing or market downturns (Ah Mand et al., 2023). However, in digital environments, herding functions more accurately as a cognitive boundary condition, as a moderator that can either amplify or dampen the translation of social media messages into personal investment intentions (Rammal et al., 2025; Tiwari et al., 2024). In volatile emerging markets like Malaysia, herding around ESG themes introduces risks of speculative trading, inflated valuations, and greenwashing exposure (Rammal et al., 2025). Although prior research has examined direct media effects or general market herding, critical gaps remain regarding how psychological biases moderate the relationship between digital influence and ethical investment decisions. Therefore, this conceptual study proposes a holistic model to explain how social media exposure directly drives young investors' ESG intentions and how herding tendencies act as a moderator in this digital environment. Comparative studies addressing how these behavioral mechanisms function among young, digital-native investors in emerging Asian markets remain scarce (Selvamani et al., 2026).

2. Literature Review

In today's academic literature, there is a clear prevalence of Sustainable and Responsible Investment (SRI) among young investors (Martutiningrum & Catyanadika, 2025). These individuals strive for purposeful profit (Raina et al., 2026), which makes their attention focus on responsible investment with consideration of ESG. There is a variety of factors affecting this attitude. The synergy between digital peer networks and social responsibility creates an atmosphere that contributes to the emergence of both objective and subjective Finfluence ESG investments (Raina et al., 2026). More specifically, the fear of cognitive dissonance between values and actions, together with the search for positive ethics and sustainability, encourages the formation of proactive behavior towards ESG investments and goes beyond the realm of mere advocacy (Martutiningrum & Catyanadika, 2025).

Now, social media dominates the sphere of SRI (Joseph et al., 2025). Through the use of platforms such as TikTok, Instagram, and X (formerly Twitter), investors are able to observe market tendencies and peers' points of view and shape purchasing trends due to peer influence (Ningtyas et al., 2024). Importantly, the information asymmetries caused by the information exchange of TikTok retail investors may influence purchasing decisions (Yoon & Oh, 2022). Nevertheless, there is a solid ESG base that brings additional attention to the environmental issues on Twitter, and the level of involvement in digital media might be influenced by changes in the market situation (Koutmos, 2024; Zhang et al., 2025).

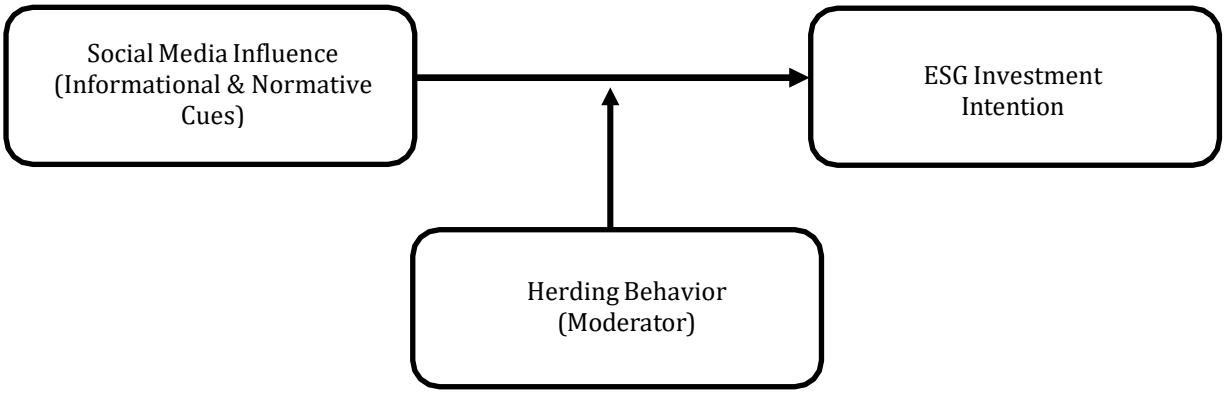
In this study, the Theory of Planned Behavior (Ajzen, 1991) is used to investigate the gap between intention and behavior in terms of sustainable investment (Martutiningrum & Catyanadika, 2025), supplemented with Social Influence Theory (Kelman, 1958). This model considers the investment intention as a combination of an individual's evaluation of ESG traits, perceived social pressure (subjective norms), and ease of performance (perceived behavioral control) (Martutiningrum & Catyanadika, 2025; Dinh & Xiao, 2025). In the case of Malaysia, the model reflects the search for "Profit with Purpose," which means wealth creation within the context of environmental issues (Raina et al., 2026). Modern subjective norms of Generation Z have raised the bar for what is considered "ethical" not just in terms of peer groups but also digital communities on TikTok and Discord in pursuit of profit with purpose (Jaya et al., 2025; Ningtyas et al., 2024). This is further enhanced by government support and the ease of accessing ESG funds in retail investment apps (Ahmad et al., 2021; Martutiningrum & Catyanadika, 2025).

Internal motivation and external motivation are differentiated by Social Influence Theory, and the authority of digital platforms is emphasized. In cases of uncertain social approval of ESG activities in a young investor's network, there is a higher chance of investing in ESG investments (Ningtyas et al., 2024). Finfluencers play an important role in the emerging form of influence in Malaysia. If the investor identifies with the brand of an influencer, the investor is likely to take on the position of the influencer regarding ESG and its impact (Hamid et al., 2022; Ningtyas et al., 2024). Internalization refers to the online distributed values of ESG influencing the self-identity of the investor and creating increasingly rational, irrevocable, and sustainable investment choices

(Joseph et al., 2025).

According to the Theory of Planned Behaviour (TPB), behavioral intention is shaped by attitude towards the behavior, subjective norms, and perceived behavioral control. Exposure to social media has an effect on attitude by providing information about the impact and benefits of ESG investments and on subjective norms through endorsement from peers and influencers (Jaya et al., 2025; Ningtyas et al., 2024). When young retail investors consume curated financial content on social media, external validation lowers the perceived risk and helps to create positive attitudes towards sustainable assets (Joseph et al., 2025).
H1: Social media influence has a positive effect on young investors' attitudes toward ESG investment intentions.
H2: Social media influence has a positive effect on young investors' subjective norms regarding ESG investment intentions.
H3: Social media influence directly and positively affects young investors' ESG investment intentions.

Herding Behavior: According to Social Influence Theory, people adopt behaviors via the mechanisms of compliance, identification, and internalization. In the digital sphere, herding behavior is characterized by the existence of a psychological bias when people use collective action due to information asymmetry or FOMO (Koutmos, 2024; Yoon & Oh, 2022). Contrary to being a direct driver, herding becomes an amplifier of both informational and emotional aspects. When an investor demonstrates a strong propensity for herding, the signals from social media (such as trending phenomena and high engagement of ESG stocks) become more influential, thus intensifying the intention to join others (Tiwari et al., 2024). In contrast, when people have low herding propensities, the content of social media undergoes more individual consideration and weakens the relationship between exposure to social media and investment intention (Rammal et al., 2025). Recent research shows that herding can lead to certain behaviors and moderate the components of a particular phenomenon. For example, according to Tiwari et al. (2024), herding can intensify or weaken the perceptions of social media users regarding the favorability of ESG products depending on the current social media trend. High herding propensities make investors more sensitive to the social media emotions expressed by other people in the close digital surroundings (Tiwari et al., 2024). It is assumed that this connection will be stronger in the post-COVID-19 era, when herding bias in ESG markets is negatively impacted and amplified by the instability of digital media in the economy (Koutmos, 2024; Yoon & Oh, 2022).
H4: Herding behavior significantly moderates the relationship between social media influence and ESG investment intention, such that the relationship is stronger for investors exhibiting higher herding tendencies.



3. Research Methodology

The research will employ a quantitative cross-sectional study design, which has many benefits when testing relationships between latent variables as well as moderations in behavioral finance. The population in question consists of young Malaysian investors between the ages of 18 and 40 years who actively participate in online social media investment communities, including Telegram, Facebook Groups, and Instagram (Jaya et al., 2025; Ningtyas et al., 2024).

A non-probability purposive sampling strategy will be applied by choosing respondents who actively use digital platforms (Ningtyas et al., 2024). Statistical justification from G*Power on detecting moderate effect sizes ($f2 = 0.15$, power = 0.80, $\alpha = 0.05$) and the PLS-SEM 10-times rule suggests the need to have a minimum of 150 to 300 respondents (Abdul Manaf et al., 2024).

Survey questionnaire items will be adapted from constructs validated in the existing literature in behavioral and sustainable finance. Particularly, 5 questions will be adapted from Hamid et al. (2022) and Joseph et al. (2025) measuring the frequency of exposure, perceived credibility, and engagement with influencers. Moreover, 5 questions will be adapted from Dinh and Xiao (2025) and Martutiningrum and Catyanadika (2025) for assessing willingness and plans to allocate funds for ESG assets. Another 5 questions will be adapted from Tiwari et al. (2024) and Yoon and Oh (2022) to measure reliance on market sentiment and imitation. All constructs will be measured on a standardized 5-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Instagram is a perfect example of Fintech social media in the social media influence component. The instrument will be distributed through Google Forms to Malaysian investment communities. The rest of the components concern social behavior and deal with ESG investment intentions, which will be redesigned from the validated scales of willing sustainable investment (Dinh & Xiao, 2025; Martutiningrum & Catyanadika, 2025). In addition, the investigation of the stage of social media and informational influence when Fintech social media "finfluencers" make an impact is part of the study. Herding behavior is the social behavior in question that stimulates investments in times of market uncertainty and involves a tendency to follow market trends (Rammal et al., 2025; Tiwari et al., 2024).

Analysis of the appropriate data is done via SmartPLS 4 Partial Least Squares Structural Equation Modeling due to the complicated nature of the model being proposed (Abdul Manaf et al., 2024; Martínez & Cervantes, 2021). In this study, the two-stage analytical approach is adopted. The first stage is concerned with the measurement model analysis and evaluation through the application of Cronbach's Alpha, Composite Reliability, Average Variance Extracted, and the Heterotrait-Monotrait ratio in order to prove the reliability and validity of the model (Abdul Manaf et al., 2024; Martínez & Cervantes, 2021). The second stage is concerned with the analysis of the structural model and the hypotheses through path coefficient analysis, coefficient of determination, and effect size.
Finally, the influence and the moderating role of herding behavior are considered to connect the influence of social media and herding to each other, especially concerning the intention of ESG investments. Hypothesis testing will be done through bootstrapping in 5000 subsamples.

4. Conclusion

Subjective norms have evolved from their physical environment into the digital world. In that regard, this paper provides some evidence in support of that evolution (Martutiningrum & Catyanadika, 2025; Raina et al., 2026). Moreover, it uncovers and shows the manner in which Malaysian youths adopt and participate in ESGs using digital indicators like 'likes' and influencers (Ningtyas et al., 2024). The research reveals and proves that herding is not just an outside peripheral issue but a moderate influence reflecting the power of social media to impact and manipulate decision-making in ambiguous situations (Rammal et al., 2025; Tiwari et al., 2024).

The findings above imply that most of the financial literacy campaigns need to go beyond ESG definitions and include behavioral finance and herding bias training, among others, particularly for the case of Malaysian youths (Abdul Manaf et al., 2024; Raina et al., 2026). Governments must cooperate with digital platforms and conduct some sort of data-sharing initiatives in order to address the "digital information paradox," whereby the goal should be to educate, not confuse, the masses (Jaya et al., 2025; Ningtyas et al., 2024). Although social media plays an important role in the Malaysian financial world due to the behavioral aspects of its utilization, future work should focus on enduring data and not anticipated ones.

From a theoretical perspective, the proposed model brings the Theory of Planned Behavior (TPB) and the Social Influence Theory together by proposing that herding works as a moderator boundary condition and not a direct effect. Once validated, the framework can provide regulators and organizations dealing with financial literacy in terms of intervention strategies. For instance, the regulators can design digital literacy programs aimed

at educating young retail investors about herding bias within the social media environment to advocate sustainable finance.

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