

Investing in the Digital Age: Behavioral Finance, Financial Innovation, and Risk.

The digitalization of the economy is drastically changing the financial landscape. New financial technologies (FinTechs), such as crowdfunding and new brokerage platforms, offer new opportunities for small and unsophisticated investors to participate in the financial markets. Furthermore, social media allows investors to connect with peers and discuss investment targets and strategies. At the chair of Financial Markets, Investment, and Banking, we study how investors use these technologies, explore ways to leverage financial innovation to create economic, and investigate the optimal design of financial technology and regulation. A particular focus is on the intersection with other megatrends in the economy, such as sustainable finance. Current projects therefore include studies on how financial innovation supports sustainable investment and how investors' biases affect the financing of sustainable projects.

Recent Research:

For example, in Münster, Reichenbach and Walther (2024)¹, we investigate how publications of traditional news and social media posts affect stock holdings on a major retail trading platform. We find that both types of publication lead to an increase in holdings. However, the impact of social media posts is significantly higher. Furthermore, positive social media posts lead to an increase in holdings, while positive traditional news articles lead to investors selling stocks. This highlights the relevance of new technologies, such as social media, for the new generation of investors. Furthermore, it showcases that findings on traditional finance cannot simply be transferred to new financial technologies. Therefore, research in this area is vital, and allows us to upgrade university teaching to enable students to master the likely challenges in finance and management of the future.

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¹ Münster, M., Reichenbach, F., & Walther, M. (2024). Robinhood, Reddit, and the news: The impact of traditional and social media on retail investor trading. *Journal of Financial Markets*, 100929. <https://doi.org/10.1016/j.finmar.2024.100929>.