

# CHAPTER I

## INTRODUCTION

### 1.1 Background

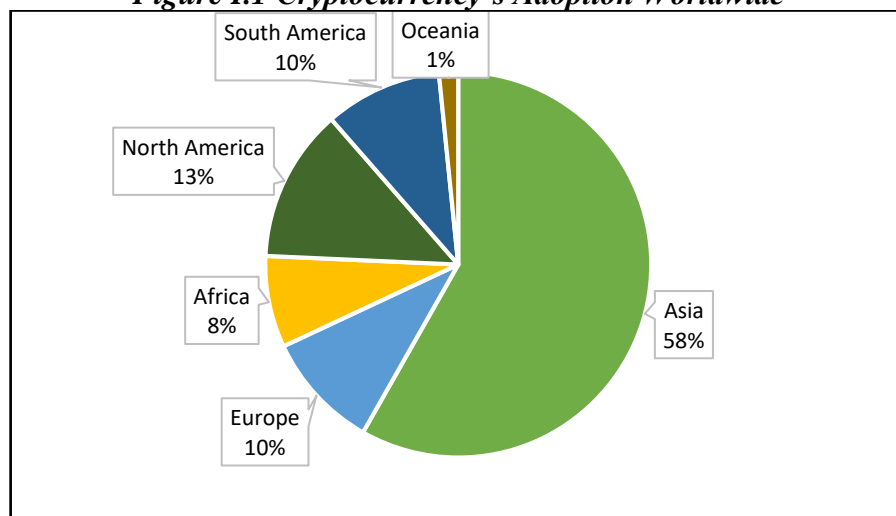
Cryptocurrency is a digital money system that is protected by encryption the currency unable to be counterfeited by irresponsible individuals. Crypto assets used a technology called blockchain. Blockchain is a technology used as a digital storage system or data of bank that is connected to cryptography. Blockchain are combination from two words, namely block and chain. It reflects how blockchain works used computer resources to create blocks that are connected to each other with the aim of executing transactions. So, blockchain is a database that unreplaced and unchanged. In fact, blockchain is a technology used to store digital data that is connected to cryptography (Baur et al., 2018).

Technology has also increased the popularity of cryptocurrency. Cryptocurrency market is relatively new and increasingly popular means of exchange and investment opportunity. Although investing in cryptocurrency is related the high level of risk, with insufficient and the inherent value of cryptocurrency is considered more susceptible to speculation, something that is quite common for the early stages of any market. However, with increasing popularity, the growth of cryptocurrency trading volume has been significant and price volatility has continued to decline over time since its introduction in 2009, strengthening cryptocurrency as an investable asset, if the investor's risk appetite allows (Schut, 2017). Also, cryptocurrency are developing into an alternative to non-cash transactions, like money transfers across-borders and remittances.

Cryptocurrencies are increasingly being used, and their usability has drawn attention from different perspectives. Based on the crypto payment company website, triple-a.io, the total number of cryptocurrency users worldwide in 2024 will reach 562 million people. Asia is the region with the largest number of cryptocurrency users in the world, reaching 326 million people. Followed by North America with total of around 72 million users, then there is the European population

with a number of users of 55 million people, South America is also around 55 million people while the African and Oceania regions each have a number of cryptocurrency users of 43 million and 9 million people. Meanwhile, more than 18 thousand companies have accepted payments with cryptocurrencies. While in Indonesia itself, the number of crypto users has now exceeded 12 million users (Romys, 2025)

**Figure I.1 Cryptocurrency's Adoption Worldwide**



**Source: Triple-A.io-processed**

Cryptocurrency as an innovation in the digital financial system has significant changes in human point of view assets and investments. Among the various types of cryptocurrencies that exist, an interesting phenomenon has emerged in form of "meme coins". Investment in crypto, especially the meme coin category, has become a significant phenomenon in recent years. Meme coins are a type of cryptocurrency that is created without strong fundamental value and is more based on trends or popular cultural phenomena on the internet, such as memes or certain viral phenomena. Unlike cryptocurrencies such as Bitcoin or Ethereum that have technology or projects behind them, meme coins rely more on online communities or popularity to increase their value. Meme coins are often referred to as "speculative assets" because their value is determined more by market sentiment than the intrinsic or fundamental value of the asset (Yu & Kwan, 2019). Meme

coins are crypto assets that have gained great popularity thanks to the support of social media communities. This interest is influenced by social media, high investment motivation, and the level of investor confidence, which often exceeds their actual knowledge of the market. According to research by Chapman & Pettersson (2021), social media as a source of investment information is often a double-edged sword, where investors' lack of financial understanding can make them vulnerable to unwise decisions when driven by online trends.

One of the famous meme coins is Dogecoin. Dogecoin (DOGE) was launched on December 6, 2013, by Billy Markus and Jackson Palmer as a joke in response to the hype surrounding cryptocurrencies at the time. Using the Shiba Inu dog from the “Doge” meme as its logo, Dogecoin was initially designed to be a more relaxed and fun alternative to Bitcoin. It quickly gained traction, with its value soaring by around 300% in just two weeks after its launch, thanks to China’s policy of restricting bank investment in cryptocurrencies. The Dogecoin community grew rapidly, becoming one of the first cryptocurrencies to be used for “tipping” on social media, showing potential uses beyond investment speculation (Coin Market Cap, 2024)

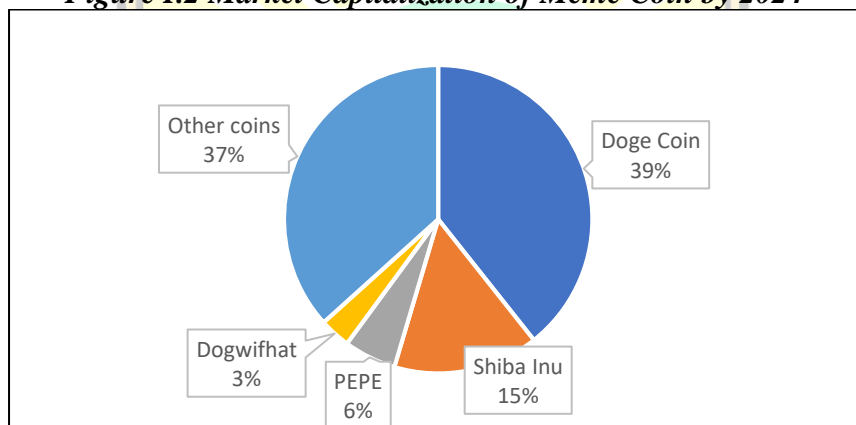
Over the time, Dogecoin has gone through several phases of growth. In 2014, its community successfully collected enough money to send the Jamaican bobsled team to the Winter Olympics in Sochi, signalling strong social support behind the coin. Despite some price fluctuations and challenges, Dogecoin reached a market cap of over \$85 billion at its peak in May 2021. As of 2024, Dogecoin remains one of the largest meme coins with a market cap of around \$28 billion, thanks to the support of an active community and the involvement of public figures such as Elon Musk (Arun Singla & Mandeep Gupta, 2024).

Unlike Shiba Inu, Shiba Inu (SHIB) was launched in August 2020 as a direct competitor to Dogecoin, often referred to as the "Dogecoin Killer". This coin emerged from the same meme phenomenon and quickly caught the attention of investors with its very affordable price. Shiba Inu was designed to be part of the DeFi (Decentralized Finance) ecosystem and has unique tokenomics, including the

presence of tokens called "LEASH" and "BONE" in its ecosystem. In a short time, SHIB managed to gain huge popularity among retail investors, especially on platforms such as Reddit and Twitter (Gate.io, 2024).

Shiba Inu's growth has been very rapid; In 2021, the coin experienced a dramatic price surge and its market cap reached over \$13 billion in a short-term. In 2024, its market cap around \$10.9 billion, making it one of the top meme coins after Dogecoin. The Shiba Inu community is also active in various charity activities and social projects, similar to what the Dogecoin community did before it. With strong community support and innovation in its DeFi ecosystem, Shiba Inu continues to maintain its relevance in the competitive cryptocurrency market (Nessi, 2024).

**Figure 1.2 Market Capitalization of Meme Coin by 2024**



**Source: [coingecko.com/processed](https://coingecko.com/processed)**

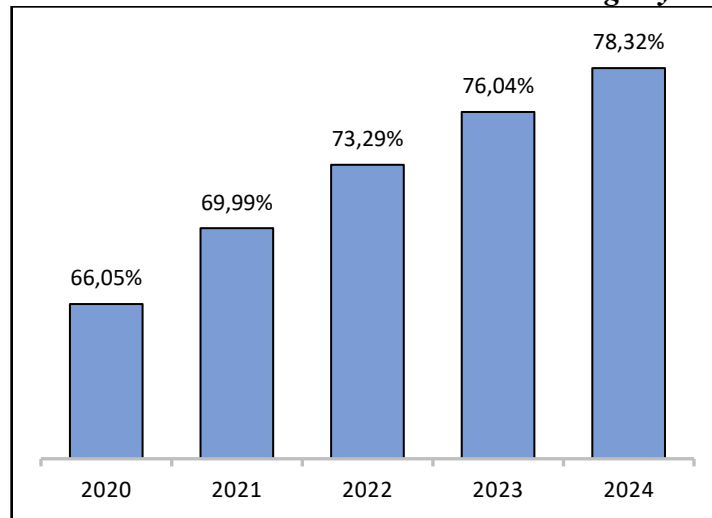
According to data obtained from (Coingecko, 2025), the total market capitalization value of meme coins is \$71 Billion and most of its market capitalization value is controlled by the most popular meme coins, namely Dogecoin and Shiba Inu which have more than 50% of the overall market capitalization of the meme coin itself, they each have a market cap of \$28,086,054,987 for dogecoin (39%) this coin remains the leader among meme coins. Its high popularity and support from the community and public figures such as Elon Musk have helped maintain its position as one of the top cryptocurrencies; \$10,892,987,331 for Shiba inu (15%) Although newer than DOGE, SHIB has managed to attract investors with significant price growth and various ecosystem

projects that support it; \$3,917,572,634 for PEPE (6%) PEPE shows good potential in the market although it is still far from the two giants.; and \$2,323,406,173 for dogwifhat (3%) is also one of the coins that attract attention even though it is in a lower position; while the rest is owned by other meme coins, namely \$26,181,595,865 (37%). This shows the diversification in meme coin investments and the potential for growth for new coins.

The advancement of information technology has resulted in alteration across different sectors of life such as investment and finance. A significant advancement in information technology is emergence of social media platforms there are increasingly playing important role and have become a necessity that is considered a must for humans today. Social media is indeed designed with the aim of gathering and reaching many individuals virtually regardless of age or even social background (Arifin & Fuad, 2021). The advancement of more complex information and communication technology combined with global of internet networks facilitates social media which has become a necessity for each individual to get all the information they desire.

The usefulness of social media is not only limited to being a medium of communication, but with social media it can be a medium to explore oneself, a medium of entertainment, to increase insight, and even be a medium that helps in learning (Novie Rahmawati, 2023). Through social media, a lot of information can be obtained both related to domestic and foreign information. The benefits of social media as a medium that provides various entertainment, as well as a medium of communication, even as a very broad information medium, are the causes of the high number of active social media users in Indonesia.

**Figure 1.3 Indonesian's Social Media User Percentage by 2020-2024**



**Source: [data.goodstats.id/processed](https://data.goodstats.id/processed) (2025)**

Based on the image above, the number of social media users in Indonesia continue to increase rapidly from year to year, according to data from (Yonatan, 2023), in 2020 there were 66.05% of the total population were social media users in Indonesia or around 178,469,687 people, this continued to increase in the second quarter of 2024 which was recorded at 78.32% of the total population of Indonesia or around 221,477,584 people. The phenomenon of active social media users in Indonesia is the impact of the development of information and communication technology and the increasingly even distribution of internet networks, not only utilized by residents in urban areas but its impact can also be felt in remote areas in Indonesia, so that access to the latest information related to many things can certainly be owned by the majority of the Indonesian population.

Technology has also increased in the last few decades have affected almost all aspects of human life, including in the fields of economics and finance. One real manifestation of this change is the widespread use of social media as a medium for information and communication, especially in investment activities. Social media is no longer just used for interaction, but also as a source of investment information. The existence of various investor communities on social media, stock discussions, and popular investment trends on platforms such as Twitter, Telegram, TikTok, and

Instagram further strengthens the role of social media in the investment decision-making process, especially in instruments that have high volatility, such as crypto.

According to research conducted by (N. Zhu, 2018), social media is an important factor influencing investment choices particularly millennials and Gen Z who depend increasingly on the internet than conventional sources of information. In addition, social media facilitates interaction between users, allowing the exchange of ideas and information that can strengthen individual confidence in their investment decisions. This creates a herd behavior phenomenon where investors tend to follow viral investment trends on social media without conducting in-depth analysis.

The role of social media in investment decisions cannot be underestimated. Platforms such as Twitter, Reddit, and TikTok are media where information related to meme coin investments spreads quickly and widely, often creating hype that influences investors' perceptions of the potential profits that can be obtained. However, this freedom of information can also increase the risk for investors who rely on non-professional advice on social media.

Social media serves not only as a source of information but also accelerates the spread of positive or negative sentiment about an asset. The collective emotions spread on Twitter can affect stock market movements. Positive sentiment on social media can quickly increase prices, while negative sentiment can also quickly drop prices (Berger et al., 2020). This makes investing in meme coins very risky and dependent on temporary social trends.

On the other hand, many investors are motivated to invest in meme coins because of the FOMO (fear of missing out) phenomenon or fear of missing opportunities. According to Barberis & Thaler (2003) in Dowling et al (2020), FOMO is one of the factors that makes individuals engage in high-risk investments without careful consideration. Narratives on social media often highlight success stories that can tempt investors to participate even though they know the risks. Investors who rely on information from social media without adequate verification



may be encouraged to make transactions based on rumors or public opinion that are not necessarily accurate, which ultimately increases the risk of investment losses.

In addition, the emergence of psychological characteristics such as overconfidence in investors also needs attention. Overconfidence refers to investors overrating their analytical skills and comprehension of the market, so they tend to underestimate the risks involved (Barber & Odean, 2001 in Yadav et al., 2022). Overconfidence is one of the behavioral biases that primarily affect investment choices. Overconfident investors tend to feel they have more knowledge and abilities than they actually do, which often leads them to impulsive decisions in risky investments such as meme coins.

Glaser & Weber, (2007) show that overconfident investors are more likely to make speculative and high-risk transactions than more cautious investors. Overconfidence often drives investors to make investment decisions without conducting in-depth research or analysis. They tend to have an optimistic view of investments, even when market conditions are unfavorable, which can ultimately lead to financial losses.

This research was conducted by Beatrice et al., (2021) shows that overconfidence can trigger speculative investment behavior and tend to take greater risks than they should. This overconfidence behavior is often driven by inaccurate or excessive information on social media so that investors are easily influenced to invest without considering the risks carefully. This bias contributes to the increase in investment interest in meme coins, which although promising high returns, also have extreme volatility. Many investors, especially those who are relatively new, feel that they have the ability to choose profitable investments, without considering the risks objectively. This overconfidence can increase the desire to take high risks that might not be taken under normal conditions. This is in line with investor behavior in risky assets such as meme coins, where many are tempted by the opportunity for quick profits, regardless of the possibility of greater losses.

One of the reasons why overconfidence arises is because of easy access to information in the digital era, including from social media, which provides investors



with a sense of instant "knowledge". According to Kahneman (2011), overconfidence is often triggered by the illusion of control and confirmation bias, where individuals only look for information that is by their beliefs and ignore conflicting information. Investors who feel overconfident only focus on positive components of the investment, while the high risks that are actually significant are ignored.

Overconfidence is also reinforced by the self-attribution effect, where investors feel that the profits obtained come from their personal expertise, not from chance factors or a bullish market. Research by El Oubani (2023) found that investors tend to feel that their success is the result of personal ability, thus increasing their sense of self-assurance. As a result, they are more prone to taking greater risks in the future, which often leads to losses when market conditions change.

Investment motivation is a key factor influencing an individual's decision to invest. In general, motivation can be described as an inner drive that originates from within an individual or from the surrounding environment that encourages individuals to take certain actions in order to achieve goals (Firdaus & Ifrochah, 2022). This motivation is very important because it can determine whether someone will take steps to place their funds in investment instruments, including the capital market or cryptocurrency. Research shows that investment motivation has a positive and significant impact on investment interest, especially among the younger generation (Belisca et al., 2022).

There are two main categories that influence investment motivation, that internal and external factors. Internal factors consist of self-confidence, knowledge of investment, and previous experience, while external factors include support from family, and friends, and information obtained from the media (Sabda & Subroto, 2022). Research by Kumala & Venusita (2023) confirms that individuals who have strong social support tend to be more motivated to invest. This shows that the social environment can play a significant role in shaping investment interest.

Investment motivation also plays an important role in influencing investment decisions in meme coins. Individuals are often motivated by external factors such as the potential for large profits or short-term financial appeal. This motivation is reinforced by the effects of social media which can strengthen the perception of profit, although high risks remain. Investment motivation in meme coins is also influenced by the desire to make big profits in a short time. Shiller (2017) explains that the drive to make quick profits often leads investors to speculative and volatile assets, such as meme coins. Investors are more interested in the potential for high profits than the risk of loss, so they ignore the risk analysis which is actually very important.

Social media has a significant role in shaping overconfidence behavior and investment motivation in digital assets, including meme coins. Platforms such as Twitter, Telegram, Instagram, and TikTok provide a space for users to share information, experiences, and opinions about certain assets freely and quickly. This allows the spread of information that has the potential to increase overconfidence among investors, especially those who do not have a strong investment knowledge base. For example, research by Singh et al (2024) shows that social media can create overconfidence bias due to high exposure to unfiltered success narratives, which are then interpreted as definite opportunities by novice investors. Furthermore, social media influencers who provide education, direction, or testimonials related to their experiences investing in digital assets, especially cryptocurrencies, significantly influence the investment decisions of social media followers (Zanesty et al., 2022).

This overconfidence behavior is generally seen in investors who are overconfident in their ability to "beat the market" based only on the limited information they get on social media. Overconfidence in investors often arises from excessive confidence in their understanding of market trends, which is largely formed from feelings of familiarity with information they encounter repeatedly on social media. For example, when seeing many people on Twitter celebrating the big profits of meme coins, novice investors may feel confident that they can also repeat

the same success, even though the information is not entirely valid or accurate. Research conducted by Sudirman & Pratiwi (2022). states that biased behaviour that causes overconfidence in investors leads to irrational investment decisions, this study also states that female investors are better able to control biased attitudes, this is evidenced by the higher level of vulnerability of male investors to overconfidence behavior in investment decision-making compared to female investors.

In addition to influencing self-confidence, social media also plays a major role in building investment motivation, especially for those who are tempted by the potential for instant profits. This motivation is often not entirely rational and is more based on momentary trends or social pressure. A study by Chapman & Pettersson (2021) shows that many investors are influenced by viral success stories on social media that motivate them to invest in high-risk assets without conducting in-depth analysis. Investment trends triggered by social media are often driven more by emotional motivation than traditional investment decisions, which are generally based on more detailed fundamental and technical analysis.

Investment motivations formed on social media often have a FOMO (fear of missing out) nature, where investors feel compelled to immediately buy certain assets so as not to miss out on profit opportunities. This phenomenon is often seen in meme coin investments, where the lure of short-term profits encourages investors to get involved in assets that are "booming" without considering the risks involved. This shows that the influence of social media on investment motivation can lead to impulsive and less-measured behavior, which can endanger investors' finances in the long term.

Overall, social media usage, overconfidence, and investment motivation have interrelated impacts on meme coin investment decisions. These three factors create conditions where investors are encouraged to take high risks based on unrealistic expectations.

Research related to the influence of social media usage, overconfidence behaviour, and investment motivation has been done a lot before but only focused on general capital markets investments such as stocks and cryptocurrency and there

has been no research that focuses on investment decision-making in the context of meme coins. Based on the background explained above, the researcher is interested in conducting research related to factors that influence investment decisions with the title *"The Influence of Social Media Usage, Overconfidence, and Investment Motivation on Meme Coins' Investment Decisions "*.

## **1.2 Problem Formulation**

Based on the background that has been described above, the formulation of the problem in this study is:

1. Does social media usage partially influence investment decisions on meme coins?
2. Does overconfidence partially influence investment decisions on meme coins?
3. Does investment motivation partially influence investment decisions on meme coins?
4. Do social media usage, overconfidence, and investment motivation simultaneously influence investment decisions on meme coins?

## **1.3 Research Objective**

Based on the formulation of the problem that has been explained above, the objectives of this study are:

1. To analyze whether social media usage has a partial effect on investment decisions on meme coins
2. To analyze whether overconfidence has a partial effect on investment decisions on meme coins
3. To analyze whether investment motivation has a partial effect on investment decisions on meme coins
4. To analyze whether social media usage, overconfidence, and investment motivation have a simultaneous effect on investment decisions on meme coins

## **1.4 Research Benefit**

### **1. Theoretical benefits**

Theoretically, this study will contribute to the development of literature on investment behaviour, especially those related to the effects of social media usage, overconfidence, and investment motivation in the context of digital assets such as meme coins. The literacy and knowledge gained in this study can be used as additional knowledge from the material that has been obtained in lectures or from other activities related to capital market knowledge for investors, especially digital meme coin assets. This study enriches the understanding of the influence of social media usage on investment behavior, which is becoming increasingly important as various social media platforms develop as sources of financial information.

### **2. Practical benefit**

For academics, this study provides a basis for further research on the relationship between social media usage and investment decisions in crypto assets. This study can be a foundation for developing a more in-depth analysis model of the interaction between social, psychological, and economic factors in the context of the digital market.

For investors, this study can provide insight into the factors that influence investment decisions so that investors are expected to make more rational and measurable decisions, especially those interested in crypto assets and meme coins. By understanding the impact of social media usage on perceptions of risk and return, investors can be wiser in deciding whether to follow viral investment trends on social platforms. These findings can help investors identify external factors that influence their decisions, so they can manage overconfidence and reduce the likelihood of impulsive decisions. In addition, a better understanding of investment motivations allows investors to assess whether their motivation is based on the potential for long-term profits or simply on social pressure and the desire for instant profits. This is relevant because many investors who do not have in-depth

knowledge of crypto often take big risks just because they are influenced by information from social media.

### 3. Policy's benefit

For regulators, this study can provide guidance in designing better policies to protect investors from misleading information on social media. Given the risks involved in meme coin investment, regulators can consider policies to regulate financial information on social media to protect novice investors from making unwise decisions.

## 1.5 Writing systematic

The writing in this study is arranged using the following systematics:

### CHAPTER 1: INTRODUCTION

This chapter will outline the background of the problem, problem formulation, research objectives, research benefits, and writing systematics.

### CHAPTER II: LITERATURE REVIEW

This chapter will describe theories related to the research object, related previous research, the framework of thought in the research, and also the development of research hypotheses.

### CHAPTER III: RESEARCH METHOD

This chapter will explain how this research is carried out operationally, consisting of research design, research population, and sample, research variables, types and sources of data obtained, data collection methods used, and data analysis techniques with hypothesis testing.

### CHAPTER IV: RESULTS AND DISCUSSION

This chapter will explain the description of the research object including a general description of the companies that are the research samples and analysis accompanied by discussions and research implications.

## CHAPTER V: CLOSING

This chapter will conclude the research results, research limitations, and suggestions that are under the results of the research that has been carried out.

