Project Summary
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In terms of total monetary flows, the greatest impact of the Internet is arguably felt in the financial sector. About 20 million investors are expected to trade online by 2003. In addition, a large number of virtual communities (e.g., message boards, chat rooms) actively complement online investing as platforms for information sharing, discussion, and diffusion. While virtual marketplaces are generally recognized to be efficient, it has been argued that both online investing and virtual investing-related communities (VICs, henceforth) are not always aligned with the best interests of investors. Consequently, these activity domains have attracted much attention in the popular press, and from regulatory agencies.

Despite their obvious importance from economic and policy viewpoints, not much is known about how online investing and VICs shape investor behavior and impact market efficiency. In this context, the proposed research examines two broad research issues: (a) How is information generated, discussed, and diffused within and across VICs, and how do such activities impact market performance and efficiency? and (b) How do economic, social and psychological influences together impact the investor adoption decisions, participation patterns, and investor satisfaction in the context of online investing and VICs?