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RESEARCH ON INVESTORS' INVESTMENT INDUSTRY SELECTION TRENDS IN THE VIETNAMESE STOCK MARKET BASED ON BEHAVIORAL FINANCE THEORY

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ABSTRACT

This study aims to explore and analyze the trend of individual investors' investment sector choices in the Vietnamese stock market, based on the factors of Behavioral Finance theory, including Overconfidence, Herd behavior, Anchoring Bias, and Confirmation Bias. The results show that Overconfidence Bias is 2.95 points (neutral), Herding Bias is 3.5 points (biased), Anchoring Bias is 3.4 points (biased), and Confirmation Bias is 2.83 (neutral). The order of priority sectors is as follows: sectors with high growth potential, sectors influenced by media and social trends, sectors supported by the government or driven by economic trends, sectors with stable income from dividends, and sectors with low risk and stability according to economic cycles. On that basis, the authors propose two groups of recommendations for the Government, State management agencies, and individual investors.

KEYWORDS: - Trend, Behavioral Finance theory, investor, stock market, Vietnam.

1.0 INTRODUCTION

According to traditional finance theory (Eugene F. Fama, 1970), the market is efficient and investors are rational, expect, and make decisions to maximize expected benefits. In the stock market, investors' behavior is not only influenced by purely economic factors but also strongly influenced by psychological and social factors (Tien, C.M., 2023). Behavioral Finance has become an important field of study, as both rational and irrational behavior coexist in financial markets, even those considered to be developed (Anjum Raza. (2014)

Behavioral Finance is a field of study that combines finance with consumer behavior, focusing on understanding and describing human financial behaviors in financial decision-making situations. Instead of assuming that investors always act rationally, this theory suggests that they often operate under the influence of psychological factors and irrational behavior. Research by Kim, K. & Nofsinger, J. (2008) shows that Asian investors, including Vietnamese, are more behaviorally biased than people from other cultures.

The stock market is a medium- and long-term capital mobilization channel for the economy, helping businesses promptly meet the needs of capital for production and business (Lien, N.T.H., et al, 2024). The trend of choosing the investment industry of individual investors is one of the factors The stock market is a medium- and long-term capital mobilization channel for the economy, helping businesses promptly meet capital needs for production and business (Lien., N.T.H., et al, 2024). The trend of choosing investment industries of private investors is one of the important factors in securities investment decisions (Ainia, N. S. N., and Lutfi, L. (2019). Understanding the trend of choosing investment industries not only helps us solve unexpected behaviors in the market but also supports managers, trying to make appropriate recommendations. As the stock market develops and attracts the participation of many individual investors, research on the trend of choosing investment industries becomes more and more necessary.

In recent years, the Vietnamese stock market has grown strongly in terms of scale, liquidity and participation level of individual investors. However, in the investment decision-making process, many investors do not fully adhere to the rational assumptions of classical financial theory. Instead, the behavior of choosing investment sectors is often influenced by psychological factors, personal emotions and specific cognitive biases. According to Bodie, Z., Kane, A., & Marcus, A. J. (2014), investors in the market not only rely on objective financial information but are also influenced by psychology, emotions and subjective expectations, leading to decisions that may be irrational. Kapoor, S., &Prosad, J. M., (2017) pointed out that individual investment decisions are often irrational, reflecting the potential influences from behavioral factors. Bihari, S. C., et al., (2022) also emphasized the role of psychological biases such as herd effect, overconfidence, or information processing bias in the investment process.

In that context, behavioral finance theory is considered an effective analytical tool to explain irrational motivations, emotional reactions, or behavioral biases that affect investment decisions. The objective of this study is to use behavioral finance theory to analyze common behavioral biases that affect the investment industry selection trends of individual investors in the Vietnamese stock market. Through that, the study aims to clarify the nature of investment behavior in real conditions, contribute to supporting the investment decision-making process more effectively, and provide implications for managing investment behavior in accordance with the context of the Vietnamese market.

2.0 THEORETICAL BASIS

2.1. Overview of investment sectors in the stock market

The stock market is an important investment channel, helping businesses mobilize capital and investors seek profits through increased stock prices or dividends. Investment activities in the stock market include short-term, medium-term and long-term investments, based on many schools of analysis such as fundamental analysis, technical analysis and behavioral finance. Stock investment is considered an effective profit channel but also has many potential risks, especially in the context of macroeconomic and political fluctuations. In addition, the behavior of individual investors also has a great influence on the trend of market movements.

Investing in stocks offers high profit potential but also comes with risks due to price fluctuations depending on many factors such as macroeconomics, policies, and business performance. According to the World Bank, (2020), the stock market plays an important role in promoting long-term economic growth by providing capital for businesses and creating investment opportunities for individuals. However, investors need to equip themselves with knowledge of financial analysis, risk management and closely monitor the market to make the right decisions.

In stock investment, the decision to choose the industry/stock to invest in is an important choice for investors (Alistair., B & Mike., B., 2008). Investment industry groups in the stock market are often classified based on business characteristics and sensitivity to economic cycles. According to Investopedia (2023), diversifying the investment portfolio among industry groups helps minimize risks and optimize profits in the long term. Investors need to consider the characteristics of each industry and market trends to build a suitable strategy.

In the international market, the GICS (Global Industry Classification Standard) is an industry classification standard developed by MSCI and S&P Dow Jones Indexes - to provide an effective, detailed and flexible investment tool so that investors can grasp the realities and rapid changes of industries and fields.

GICS industry classification standard is divided into 4 levels, from general to detailed: divided into 11 level 1 industry groups as follows:

Table 1: Classification of 11 level 1 industry groups according to the international standard system GICS

No	Industry Group	Classification
1	Energy	Oil and gas, renewable energy, oil exploration services.
2	Materials	Chemicals, metals, construction materials, packaging.
3	Industrials	Machinery, industrial equipment, aviation, construction
4	Consumer Discretionary	Non-essential consumer goods – automobiles, fashion, travel
5	Consumer Staples	Essential consumer goods – food, beverages, retail of essentials.
6	Health Care	Pharmaceuticals, medical devices, healthcare services.
7	Financials	Banking, insurance, investment companies.
8	Information Technology	Software, hardware, semiconductors, IT services.
9	Communication Services	Telecommunications, media, social media, digital entertainment.
10	Utilities	Electricity, water, gas, utilities.

11	Real Estate	Real estate

Source: MSCI. (2016)

This industry classification standard is being used in Vietnam and by securities companies, portfolio managers to identify and analyze stocks, and identify their competitors. The global industry classification standard is also used as a standard for the MSCI index - an index that classifies stock markets in the world according to index baskets such as the MSCI emerging market index (MSCI, 2016). However, in this study, because the authors focus on analyzing the investment sector choice of individual investors influenced by behavioral finance theory biases, the industry choice trends (Investment Sector Choice Tendency) approached include the following 5 basic trends:

- ISC1: Investment sectors based on high growth potential (technology, fintech).
- ISC2: Sectors that provide stable income from dividends (e.g. banking, utilities)
- ISC3: Sectors with low risk and stability through economic cycles (e.g. food, pharmaceuticals).
- ISC4: Sectors based on trends that are frequently mentioned in the media or on social networks
- ISC5: Sectors that are supported by the government or are in line with long-term economic trends (e.g. renewable energy, semiconductors).

2.2. Behavioral Finance Theory and Behavioral Biases Affecting Sector Choice in Stock Investment

2.2.1. Behavioral Finance Theory

Behavioral Finance is an interdisciplinary field of study that combines finance, psychology, with behavioral economics to explain irrational financial decisions of investors and unusual market fluctuations that cannot be fully explained by traditional financial theory. While classical finance theory assumes that investors act rationally, have complete information, and always seek to maximize expected utility (Eugene F. Fama, (1970), behavioral finance emphasizes the presence of emotions, cognitive biases, and social factors in the decision-making process.

Shefrin., H (2000) classifies the foundations of behavioral finance into two main branches: (1) Cognitive psychology – the study of how individuals process, recognize and evaluate information; and (2) Behavioral psychology the study of emotional responses, habits and -reflexes formed in the investment environment. When applied to market practice, behavioral finance provides a framework to explain why investors make mistakes in assessing asset values, why they often act contrary to their economic interests, and why price discrepancies are not promptly corrected by market mechanisms (Barberis, N., & Thaler, R. (2003). Biases such as overconfidence, herding tendencies, or the illusion of control often cause investors to act based on emotion rather than reason, thereby pushing stock prices away from their intrinsic value. As a result, markets can experience cycles of overheating or sell-off, causing systemic risks and large fluctuations.

Approach towards identifying factors influencing the behavior of individual investors, including the factor of “corporate image” (Riri, V., M., et.al., 2020); “personal financial needs” (Rakhmatulloh, A. D., &Asandimitra, N. (2019); “social factors” (Baker, H. K., & Nofsinger, J. R. (2002); “investor emotions” (Nagy, R. A., &Obenberger, R. W. (1994). In Vietnam, the study of (Ha., P.V., et al, 2022) considered "Behavioral Finance Theory Factors" as a factor in addition to other factors affecting the investment decisions of individual investors in the Vietnamese stock market. The study of Lien., N.T.H., et al, (2024) identified and measured the level of influence of factors on the investment decisions of individual investors, especially for students majoring in economics. These research results provide data for Securities companies and related parties adjust their consulting direction or design products and services that are more suitable to the target orientation of customers. In the context of the Vietnamese market, individual investors often choose industry groups based on media information, short-term expectations, and viral trends from online investment communities rather than based on fundamental valuation analysis. According to research by Ha., P.V., et al, (2022), technology, finance, and real estate industries are often chosen because of their popularity, while traditionally stable industries such as utilities or food are ignored.

2.2.2. Common behavioral biases

According to (Alistair., B & Mike., B., 2008), investor behavior is often influenced by many non-economic factors such as emotions, subjective beliefs, social pressure and media environment. These factors create common behavioral biases such as overconfidence, loss aversion, herding effect, anchoring, and confirmation bias. These biases can lead to inconsistent investment behavior, overreaction, causing inefficiency in stock investment. The biases studied in this article include:

(1) Overconfidence Bias: Overconfidence is one of the most analyzed behavioral biases by economic and financial researchers (Merkle, C., & Weber, M. (2011). Overconfidence is a bias that occurs when investors overestimate their own knowledge and analytical ability, believing that they are able to predict the market more accurately than average and other investors. Overconfidence leads them to ignore thorough analysis, relying too much on intuition and personal feelings. In stock investment, this bias can lead to excessive trading without fully considering the risks (Thaler, 2005); leading individuals to harmful decisions (Fellner, G., &Kru¨gel, S. (2012), reducing investment efficiency. This bias can make people unaware of the risks associated with their decisions. The decision was made (Kumar, S., & Goyal, N. (2015).

(2) Herding Effect: The herding effect refers to the tendency of investors to act similarly rather than making independent decisions based on individual information. For example, when a stock or asset increases sharply, many people buy it without paying attention to the real value of the stock or conducting careful analysis before making an investment decision (topi, 2024). As a result, when the market corrects, these investors often suffer losses. In the context of a market lacking transparency or asymmetric information, investors easily follow the majority behavior in the belief that others may possess more accurate information. The "fear of missing out" (FOMO) psychology increases the spread of similar investment decisions and can lead to the formation of price bubbles (Bikhchandani & Sharma, 2001).

(3) Anchoring Bias: Anchoring bias refers to the problem of individuals tending to make inadequate estimates based on initial values (Tversky, A., & Kahneman, D. (1974). Anchoring bias occurs when investors make decisions based on initial information while ignoring changes in real conditions. In stock investment, initial information includes information about past stock prices, recent peaks or troughs, etc. Anchoring Bias, in a business environment, can undermine decisions, as decision makers may anchor to insufficient and subjective values or information (Caputo, A. (2014), due to incorrect estimates of important variables such as revenue Schade, C., &Koellinger, P. (2007). This leads to investors in the stock market tending to hold losing stocks for too long or sell rising stocks too early because of anchoring to price levels past (Kahneman & Tversky, 1979).

(4) Confirmation Bias: Confirmation bias refers to the tendency to seek out and prioritize information that supports existing views, while ignoring or underestimating information that contradicts them (Pompian, M. (2012). Investors tend to collect or evaluate new information in a way that is consistent with pre-existing beliefs (Allahverdyan, A. E., & Galstyan, A. (2014). On the other hand, investors tend to assimilate information or interpret information with bias to increase confidence in beliefs, expectations, and hypotheses (Park, J., K., et al, 2013). When this bias exists, investors are more likely to focus on analysis, comments, or advice that are consistent with their personal views, thereby limiting the ability to analyze objectively and causing bias in choosing industries or stocks. This bias is especially evident in the age of social networks, when information is personalized by search behavior.

2.2.3. Applying biases in behavioral finance theory in analyzing investment industry selection in the stock market

Behavioral biases affect investors' decision-making process (Pompian, M. (2012). Therefore, this article applies biases in behavioral finance theory to study the investment industry selection trends of individual investors in the stock market in Vietnam. Although biases are related to each other, for example, the cognitive cause leading to overconfidence lies in anchoring and confirmation bias according to the study of Russo, J. E., & Schoemaker, P. J. (1992). Anchoring bias causes people to anchor on a value or an idea without making the necessary adjustments. Confirmation bias is the process of seeking mental support based on the initial view related to people's beliefs (Russo, J. E., & Schoemaker, P. J. (1992). This connection is supported in the study of Park, J., K., et al., (2013): people with confirmation bias are more prone to overconfidence. However, within the scope of this study, the authors investigated each individual behavioral bias that affects investment decisions in the stock market: overconfidence bias, herding effect, and information anchoring and information confirmation [Table 2]

Table 2: Scale for measuring behavioral biases

Behavioral bias	Code	Scale	Source
Overconfidence Bias	OC1	I believe my ability to analyze the market is better than most investors.	Fellner, G., &Kru¨gel, S. (2012) Kumar, S., & Goyal, N. (2015).
	OC2	I believe my personal intuition is accurate enough to make investment decisions without extensive analysis.	
	OC3	I believe I have the ability to identify industries with potential better than other investors.	
	OC4	I rarely seek advice because I believe my analytical skills are good enough to make investment decisions.	
Herding Bias	HB1	I usually invest in industries that follow the investment trends of many people.	Bikhchandani & Sharma, 2001).
	HB2	I feel more secure investing in industries that are discussed by many people on social media or investment forums.	
	HB3	I believe the crowd is usually right when it comes to choosing investment sectors.	

Anchoring Bias	AB1	I believe that past stock prices are more important than current analysis when deciding to invest in an industry.	Tversky, A., & Kahneman, D. (1974). Caputo, A. (2014),
	AB2	I often make investment decisions based on comparing the current stock price to the previous high/low, without fully considering other factors.	
	AB3	The first information I receive about an industry often strongly influences my investment decisions.	
Confirmation Bias	CB1	I usually look for information that supports my investment decisions and pay little attention to information that contradicts them.	Pompian, M. (2012). Allahverdyan, A. E., & Galstyan, A. (2014).
	CB2	I tend to ignore negative information about the industry I have decided to invest in.	
	CB3	I prefer to consult with people or sources of information that agree with my investment views.	

Source: Author group

3.0 RESEARCH METHODOLOGY

To study the risk tolerance of individual investors, the research team used two main research methods:

- ***Desk research***: reviewing documents published in the media on trends, behaviors, factors affecting behavior, and investment industry choices in the stock market

With the topic of "trends in choosing investment industries in the stock market", the main target audience in this article is individual investors.

- ***Sociological investigation***: The article uses surveys via google forms designed according to the contents presented in section 2.2.3. An online questionnaire – google form (https://forms.gle/mZC8V1U51JHfwnW99) was sent to potential respondents who were individual investors. The research team received 230 valid responses. Each item in this study was measured on a 5-point Likert scale, from 1 ("totally disagree") to 5 ("totally agree"). The data collection method was implemented by the research team based on 2 methods: convenience sampling method and "snow ball" method - searching for the next subject based on the suggestions or proposals of the survey participants. The survey was built on google drive, conducting pilot interviews with 5 individual investors. The interview questions used as the basis for building and completing the survey included: What factors do you care about when making investment decisions? What is your investment portfolio like? What factors influence that trend? Factors What factors do you consider when choosing an investment portfolio?

Based on theory, research overview and interviews, the factors studied include: Fear of loss, overconfidence, financial thinking and crowd psychology and risk tolerance of individual investors.

After completing the questionnaire, the research team sent the survey link to investors through personal relationships, social media channels such as Zalo, email, Facebook. Data was compiled, calculated, reflected in tables and analyzed using Excel software, from which the research problem was discussed and proven.

Data analysis

The collected data will be analyzed using Excel software to evaluate the relationship between input factors and the variable "securities investment industry choice" of individual investors.

For each survey participant, the research team calculated the average score of the questions corresponding to each variable. The distance value and the average value of each factor were determined, and the average score was determined within which response threshold according to the formula.

Distance value = (Maximum - Minimum) / n = (5-1)/5 = 0.8

To understand the behavioral biases of individual investors in Vietnam, thereby determining the general trend, the authors counted the number of choices at levels 1-2 (low bias), 3 (neutral) and 4-5 (high bias). From there, the percentage was calculated to facilitate the analysis of the relationship between biases and the intention to choose the investment sector. Different levels of behavioral biases and investors' investment sector choices are grouped as follows:

Table 3. Classification of behavioral biases by score

No	Variable	Classify	Score
1.	Overconfidence Bias Herd Effect Anchoring Bias Confirmation Bias	Unbiased	1 to under 2.6
		Neutral	2.6 to under 3.4
		biased	3.4 to 5

Source: Author group

4.0 RESEARCH RESULTS

4.1. Overview of the Vietnamese stock market

The Vietnamese stock market was officially opened on July 28, 2000 with the first trading session at the Ho Chi Minh City Stock Exchange (now the Ho Chi Minh City Stock Exchange - HOSE). Currently, the Vietnamese stock market includes the HOSE and HNX floors (Figure 1).

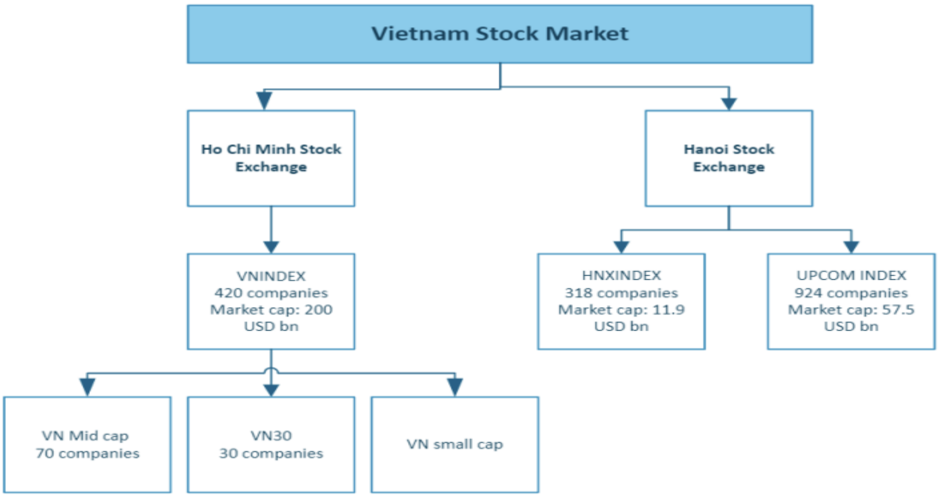

Figure 1: Participants in the Vietnamese stock market

Source: GTJASVN Research, 2024

After more than two decades of development, the market has gradually become one of the important medium and long-term capital mobilization channels for the Vietnamese economy.

Table 4: Number of listed enterprises registered for trading on the Vietnamese stock market in the period 2021-2025

Time	HOSE	HNX	UPCoM	ETF	Closed-end Fund Certificate	Covered Warrant	Government Bond	Bonds	Total
April 2021	391	361	914	7	3	79	421	36	2.212
April 2022	408	348	858	9	2	90	375	44	2.134
April 2023	400	338	856	12	3	61	394	54	2118
April 2024	398	322	871	15	4	151	396	64	2221
April 2025	391	311	888	17	4	201	398	69	2279

Source: State Securities Commission SSC, 2025

Up to now (April 2025), the Vietnamese stock market has more than 2,279 securities listed and registered for trading on three exchanges: HOSE, HNX and UPCoM. (State Securities Commission, 2025). Of which, HOSE accounts for about 80% of the total capitalization value, is the main exchange, gathering large-scale and highly liquid enterprises. The development of the Vietnamese stock market in the 2020-2023 period took place in the context of a volatile global economy due to the COVID-19 pandemic, geopolitical tensions, inflation and changes in monetary policies in many countries. However, the Vietnamese stock market has shown a significant recovery thanks to internal factors such as stable economic growth, flexible operating interest rates, and strong participation of individual investors.

Table 5: Number of investor accounts in the Vietnamese stock market

Unit: account

Time	**Domestic**		**Foreign**		**Total**	**Compared to last year**
	Individual	**Organization**	**Individual**	**Organization**		
April 2021	3.091.401	11.753	32.903	4.005	3.140.062	-
April 2022	5.163.570	13.670	36.642	4.220	5.218.102	21,06%
April 2023	7.001.243	15.313	39.068	4.397	7.060.021	2,36%
April 2024	7.743.033	16.670	41.595	4.542	7.805.840	7,04%
April 2025	9.813.738	18.129	43.552	4.681	9.880.100	6,26%

Source: State Securities Commission SSC, 2025

The number of securities trading accounts continues to increase rapidly, especially from 2021. As of April 2025, the total number of domestic investor accounts reached more than 9.88 million accounts, of which nearly 98% were individual investors, showing that individual investors account for a dominant proportion in the market (SSC, 2025).

Growth prospects are still high with a large room to grow due to the current small market size compared to other countries in the region, especially the expectation of the emergence of new investment products such as derivatives, bonds, and complex structured products, helping to attract investors and improve liquidity. (GTJASVN Research, 2024). In terms of EPS Growth (EPS Growth - Earnings Per Share Growth) of industries compared to VNIndex, one of the important indicators that helps investors evaluate the financial performance and growth potential of enterprises. EPS measures the increase in after-tax profit per share of a company (usually by year). Below is the EPS growth chart of industries in 2025

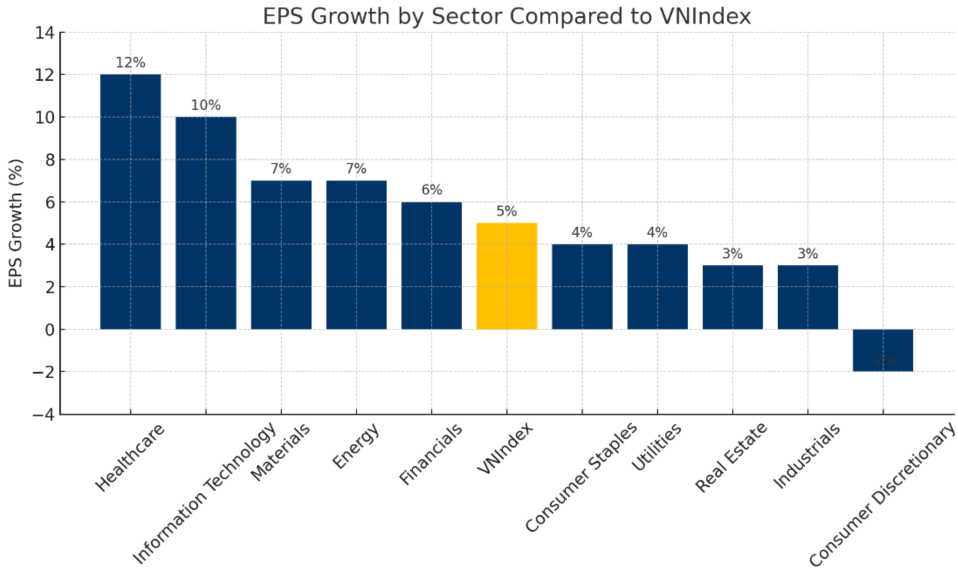

Figure 2: EPS growth forecast 2025 compared to same period

Source: Bloomberg, KBSV, 2025

Forecasting EPS growth (%) by sector compared to the VNIndex, some prominent sectors such as Healthcare lead with EPS growth of 12%; Other sectors such as Information Technology, Materials, Energy, and Financials all have higher growth than the average of VNIndex (5%). On the contrary, some sectors such as Real Estate, Industrials, and especially Consumer Discretionary (-2%) have lower growth than the average.

In general, the Vietnamese stock market still has the characteristics of an emerging market, with the clear presence of irrational behaviors such as short-term speculation, herd effect and FOMO (fear of missing out) psychology. These behaviors create high volatility in transactions, typically "dumping" sessions based on rumors or chasing when there is positive information that has not been officially verified. Research by Lien., N.T.H., et al, (2024) also shows that the proportion of investors making decisions based on social networks, advice from friends/acquaintances is higher than relying on technical analysis or financial reports. In terms of investment industry selection trends, banking, real estate, consumer and technology stocks are often among the top with the highest liquidity. The concentration of cash flow into these industry groups partly reflects the trend of behavioral investing - where individual investors look for leading stocks, expected to recover or receive more media coverage than relying on fundamental valuation analysis (Ha., P.V., et al, (2022).

4.2. Survey results

4.2.1. Survey sample description

The survey received 230 responses, of which the specific results according to the criteria of gender and occupation of survey participants are as follows:

Table 6: Occupation/Age of survey participants

Occupation	Number of people	Proportion (%)	Gender	Number of people	Proportion (%)
Student	111	48,3%	Male	96	41,7%
Employee	110	47,8%	Female	131	57,0%
Retired	9	3,9%	Do not specify	3	1,3%
Age	**Number of people**	**Proportion (%)**	**Average income**	**Number of people**	**Proportion (%)**
18 – under 30 years old	105	45,7%	Under 20 million VND	135	58,7%
30 – under 40 years old	53	23,0%	From 20 to under 50 million	67	29,1%
40 – under 50 years old	36	16,1%	From 50 to under 100 million	22	9,6%
50 – under 60 years old	26	11,3%	From 100 million and above	6	2,6%
Over 60 years old	9	3,9%			

Source: Survey results

Regarding the occupation of the survey participants, the majority were students with 111 people, accounting for 48.3%, 110 were workers (accounting for 47.8%), 9 were retired (3.9%). Regarding the age of the survey participants, the age group from 18 to under 30 years old participated in the survey with the largest proportion of 105 people (45.7%), from 30 to under 40 years old had 53 people (23%), from 40 to under 50 years old had 36 people (16.1%), the rest were over 50 years old. Because the majority of survey participants were students and workers, the average income was also mostly (58.7%) under 20 million VND; 29.1% had an income from 20 to under 50 million; 9.6% have income from 50 to under 100 million, and 2.6% have income from 100 million or more.

4.2.2. Survey results of individual investors' biases in the stock market.

The survey results from 230 individual investors in Vietnam are the basis for identifying the presence of investment behavioral biases, as well as the correlation between those biases and investment industry selection trends.

(1) Overconfidence Bias

Overconfidence is the tendency of investors to overestimate their own ability to analyze and make decisions, relying less on objective information or expert opinion (Barber & Odean, 2001). The scales are designed to reflect investors' confidence in their ability to make decisions without relying much on objective information or expert opinion. The survey results of 230 individual investors in the Vietnamese stock market showed that the average scores of the scales were all at the neutral level of judgment in all four manifestations of this bias.

Table 7: Overconfidence Bias survey results

Code	Scale content	Average score of the scale	Rating Level	GPA	Level of perception
OC1	Believe in your ability to analyze the market better than others	3.0	Neutral	2.95	Neutral
OC2	Believe that your personal intuition is enough to make investment decisions	2.8	Neutral		
OC3	Believe that you are better than others in identifying potential industries	3.2	Neutral		
OC4	Less seek advice because of confidence in your personal abilities	2.8	Neutral		

Source: Survey results

The survey results show that, in general, investors in the Vietnamese stock market do not show a clear bias towards overconfidence in their investment decisions. Investors do not completely trust in their personal abilities (OC1), (OC2), (OC3) but ignore the role of market information and expert opinions (OC4). However, the slight tilt towards agreement on the OC3 scale (average score 3.2) also indicates a trend that a segment of investors still tend to highly appreciate personal abilities in identifying industries that can bring potential opportunities in stock investment. This is explained by the fact that the time the authors conducted the survey was April-May 2025, a period when economic and political fluctuations caused many fluctuations in the stock market. This result is a departure from the bull market investing trend, where trading is based more on emotion than technical or fundamental analysis.

(2) Herding Bias

Herding Bias reflects the tendency of investors to make decisions based on the behavior of the crowd, rather than on personal analysis or market data (Bikhchandani & Sharma, 2001). Table 8 presents survey results related to this bias through three behavioral scales.

Table 8: Herding Bias Survey Results

HB	Scale Content	GPA	Judgment Level	GPA	Level of perception
HB1	Often invests in popular trends	3.7	Biased	3.5	biased
HB2	Feel more secure investing in industries that are discussed a lot on social media	3.9	Biased		
HB3	Believes that the crowd is	3.0	Neutral		

	usually right in choosing industries				

Source: Survey results

The average score of 3.5 indicates that the surveyed investors have a herd bias. Investors "Often invest in trends that many people choose" (HB1) and "Feel more secure when investing in industries that are discussed a lot on social networks". The "follow the wave" mentality – especially common in hot growth periods of industries such as stocks, real estate, renewable energy in the 2021–2022 market periods. However, they do not completely believe that the crowd is often right in choosing industries (HB3) (average score of 3.0)

(3) Anchoring Bias

Anchoring bias is the tendency of investors to be "anchored" to the first information (previous stock price or first accessible information) leading to inflexible decision making (Tversky & Kahneman, 1974).

Table 9: Anchoring Bias Survey Results

AB	Scale	GPA	Judgment Level	GPA	Level of judgment
AB1	Weighing past stock prices over current analysis	3.2	Neutral	3.4	Biased
AB2	Comparing current prices to previous highs/lows without fully considering other factors	3.5	Biased		
AB3	First information about the industry strongly influences investment decisions	3.5	Biased		

Source: Survey results

The results of the anchoring bias scales at the neutral (AB1) and biased (AB2, AB3) levels are consistent with previous studies (Caputo, A., 2014). Investors tend to anchor their decisions to previous information, leading to misjudgments when the market reverses. For example, if an industry such as real estate has performed well in the past, investors may continue to choose this industry even when market conditions have changed. The level of "biased" judgments on the previous highest/lowest price scale (AB2) and the first information about the industry (AB3) often originate from the "cognitive anchoring" mentality, which reduces the ability to flexibly evaluate new market factors.

(4) Confirmation Bias (CB1-CB3)

Confirmation bias is the tendency to search for, remember, and interpret information in a way that reinforces existing beliefs or decisions, while ignoring conflicting facts. In investing, this bias can cause investors to miss risk warnings or misjudge the potential of an industry or stock.

Table 10: Confirmation Bias Survey Results

CB		Average score of the scale	Level of perception	GPA	Level of perception
CB1	Only seek information that supports your investment decision	2.5	Unbiased	2.83	Neutral
CB2	Ignore negative information about your chosen industry	2.9	Neutral		
CB3	Prioritize opinions or sources that agree with you	3.1	Neutral		

Source: Survey results

Investors often look for information that supports their decisions, ignoring negative information. This can lead them to stick to the sectors they have decided to invest in without fully considering the risks. In the context of social networks providing a large amount of information but lacking verification, investors easily fall into a "confirmation loop" and fail to detect reversal signals from the market in time. Compared to Herding Bias and Anchoring Bias, the presence of Confirmation Bias is neutral, however, this bias can reduce objectivity and the ability to adjust investment strategies when the market fluctuates. If investors continue to reinforce their current views while ignoring contrary market signals, the risk of loss will increase, especially during unfavorable market periods.

5.0 DISCUSSION AND RECOMMENDATIONS

5.1. Discussing the results

The survey results on the priority of investment sectors of Vietnamese investors, based on the Behavioral Finance theory, give the following order of priority:

Table 11: Trends in choosing investment sectors in the Vietnamese stock market

ISC	Industry/Industry Group	**Priority level**
ISC1	Prioritize industries with high growth potential	1
ISC2	Prioritize industries with stable income from dividends	4
ISC3	Prioritize industries with low risk and stable economic cycles	5
ISC4	Prioritize industries with media/social trends	2
ISC5	Prioritize industries with government support or long-term economic trends	3

Source: Survey results

Industry data from the beginning of 2015 to February/June 2025, 1 year, 5 years and 10 years [Table 12] from Vietstock, (2025) provides a clear picture of how these biases manifest in investors' actual industry choices.

Table 12: Securities investment industry data

Sector	Market Capitalization	% Market Cap	% Index (Daily)	% Index (YTD)
All sectors	7,414,700.64	100%	-0.24%	+7.93%
Finance	2,516,900.03	33.94%	-0.19%	+1.67%
Real Estate	1,240,853.16	16.74%	-0.36%	+47.73%
Industrials	777,726.91	10.49%	+0.35%	+8.67%
Consumer Staples	668,175.79	9.01%	-0.09%	-9.34%
Materials	611,950.26	8.25%	-0.57%	-0.88%
Consumer Discretionary	544,930.50	7.35%	-1.21%	+12.79%
Utilities	434,738.36	5.86%	+0.24%	+1.83%
Telecommunications	288,354.66	3.89%	-1.02%	-22.39%
Information Technology	180,052.88	2.43%	-0.25%	-23.95%
Energy	84,350.25	1.14%	+2.40%	-18.98%
Healthcare	66,667.84	0.90%	-0.44%	-0.20%

Source: Vietstock, 2025, accessed June 2, 2025

Research in Vietnam shows that biases such as overconfidence, herding behavior, and optimism bias have a major impact on investment decisions (Quang., L.T., et al, 2023). According to the survey results of the priority of industry groups in the Vietnamese stock market, the order of priority in decreasing order is:

(1) ISC1: Industry with high growth potential

Overconfidence bias occurs when investors believe they can identify and capitalize on opportunities by investing in fast-growing industries and can ride the wave. The overall market index also increased +7.93% YTD, reflecting investors' strong growth expectations.

- The real estate industry grew impressively with net profit increasing by 134% (Vietstock, 2025), leading to a YTD index increase of +47.73%, the highest among all industries, reflecting investors' bias of being overly optimistic about the recovery cycle.
- Industrial sector (including electronics manufacturing) recorded +8.67% YTD increase
- Energy sector also had an index increase of +2.4% on the day, although down YTD, but supported by FDI policy to increase 132% in this sector by 2023

(2) ISC4: Media/Social Trending Sectors

- The technology, real estate and renewable energy sectors are frequently mentioned in the media and on social networks. Investors are influenced by built-in bias and herd behavior, which means following the majority based on easily remembered or easily accessible information.
- Although the information technology sector accounts for only 2.43% of capitalization, it is strongly promoted by the media as the sector of the future.

- The real estate sector is being mentioned a lot in the media thanks to the credit easing policy and social housing program, attracting strong speculative capital flows. The outstanding growth rate of +47.73% of real estate may be the result of the spread of positive information on social platforms rather than fundamental analysis.

(3) ISC5: Government-supported or long-term economic trends

Investors are looking to sectors that benefit from long-term macro trends and policies such as green technology, infrastructure, and renewable energy.

- The energy sector recorded a 224% increase in net profit in Q1/2025 compared to the same period, thanks to increased gas-fired power output and recovery of hydropower.
- FDI in energy and manufacturing increased by 132% in 2023 (Ministry of Planning and Investment), affirming confidence in policies supporting renewable energy and green industry.

(4) ISC2: Sector with stable income from dividends

- The financial sector (banking) accounts for 33.94% of capitalization, leading the market. This sector is expected to grow 17.7% in profit in 2025, with strong performance in 2024 (Vietnamplus, 2025). As a result, the banking sector can attract investors due to herding bias
- The utility sector increased +1.83% YTD – usually a sector with stable dividends.

(5) ISC3: Low-risk, cyclically stable industries

According to the survey results, low-risk, cyclically stable industries are at the bottom of the priority list. This choice shows that Vietnamese investors are willing to accept higher risks, are more confident, and are more likely to choose industries that are mentioned more by the media than those with high cyclical stability. Low priority is given to stable industries such as healthcare (0.9% capitalization, -0.2% YTD), telecommunications (-22.39% YTD)

5.2. Some recommendations

Based on the survey results of the priority levels of industry groups in the Vietnamese stock market along with the analyzed investment behavior biases, the authors propose the following recommendations to contribute to more reasonable investment behavior orientation minimize risks and increase efficiency in investment decisions:

(i) Recommendations for the Government and State management agencies

- Strengthen financial education and awareness of behavioral finance: In addition to financial knowledge, integrate knowledge and behavioral finance and psychological factors in investment into training programs, seminars, and courses
- Control media information and improve market transparency: Establish a mechanism to verify and monitor financial investment information, create a platform to compare actual information (data from businesses, industry reports) with disseminated information;
- Build a system to warn of industry and market risks: Develop early warning indicators for industries that are growing abnormally compared to real value; publicly warn on the websites of the State Securities Commission, HOSE, and HNX about industry groups showing signs of speculation and valuations far exceeding actual profit growth.

- Develop policies to encourage long-term investment and diversification: Support the development of mass investment products such as ETFs and green corporate bonds to enrich sustainable investment options.

(ii) Recommendations for Individual Investors

- Identify and control behavioral biases in investing: Proactively learn about behavioral finance and the impact of psychological biases on investment decisions; Consult multiple sources of information before making investment decisions
- Diversify your portfolio and avoid investing: Allocate your portfolio according to the principle of diversification; do not focus on just one or a few industry groups; Prioritize choices based on fundamental analysis, monitor core financial indicators of businesses and industries (P/E, ROE, profit growth); Hold the portfolio long enough for the intrinsic value of the business/industry group to be properly reflected in the stock price.
- Use systematic decision support tools: Apply technical and fundamental analysis tools; Aim for sustainable financial goals

6.0 CONCLUSION

The study investigates behavioral biases in the Behavioral Finance theory and the investment industry selection trends of individual investors in the Vietnamese stock market. The results show that, among the four biases surveyed, Herding Bias (3.5 points) and Anchoring Bias (3.4 points) are the two biases that have a clear impact on the investment industry selection behavior. In contrast, Overconfidence Bias (2.95 points) and Confirmation Bias (2.83 points) show a neutral level of influence, reflecting the relative caution of individual investors in the current context. The order of investment industry preferences shows that investors tend to focus on strong growth industries, industries that are receiving media attention, and industries that benefit from macroeconomic policies, instead of stable or low-risk industries. This reflects the existence of behavioral biases such as herd mentality, availability bias, and a part of overconfidence bias in investment decisions. From these findings, the study has proposed two groups of recommendations for the Government and regulatory agencies (need to promote behavioral finance education, information transparency and increased risk warning) and recommendations for individual investors (need to identify and control behavioral biases). Future studies should continue to explore the relationship between behavioral factors and specific industry choices, and consider the impact of macroeconomic factors on investment behavior.

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