Fear of Missing Out: A Catalyst for Investment Choices

Manisha Manchanda
Associate Professor, Department of Management Studies, Deenbandhu Chhotu Ram University of Science &Technology, Murthal,Sonepat, India
Himanshi Bajaj*
Research Scholar, Department of Management Studies, Deenbandhu Chhotu Ram University of Science &Technology, Murthal, Sonepat, India
*Corresponding Author Email: himanshibajaj612@gmail.com

Abstract: *'Fear of Missing Out' is feeling of anxiety that arises when someone thinks they are missing out on events, information, experiences, this gives a significant implication in financial markets, particularly in shaping investor behavior and decision-making. This study explores how FOMO influences individual investors to make impulsive & often irrational investment decisions, influenced by the anxiety of missing out on future gains and also examines various factors contributing to FOMO. Further study discusses the role of digital platforms and social media in amplifying FOMO, leading to more frequent and emotionally driven trading behaviors. Understanding the mechanisms of FOMO and its effect on financial decision-making is vital for developing strategies to mitigate its adverse effects, promoting more rational and disciplined investment practices. The study adopted survey technique taking data from 204 individual investors from Delhi NCR using google forms.The research provides insights into the behavioral finance field, emphasizing the need for investor education & behavioral interventions to manage FOMO and enhance market stability.*

Keywords: FOMO, social media, Investment decision-making, investors.

INTRODUCTION

FOMO is feeling of anxiety or worry that arises when someone thinks they are missing out on experiences, events, informa-tion, or life decisions that might make their life better (Neumann, 2020). FOMO is often linked to the fear of future regret, leading individuals to worry that they might miss out on valuable social interactions, unique experiences, memorable events, profitable investments, or comfort. It is characterized by a strong desire to be updated on what others are up to, driven by the fear that choosing not to participate might be the wrong decision. Examples of FOMO include not being aware of a conversation, missing a popular TV show, not attending a social event like a wedding or party, or finding out others have discovered a new restaurant. In recent years, FOMO has been connected to several negative psychological and behavioral outcomes, and its prevalence has increased with advancements in technology. Social networking sites create numerous opportunities for FOMO by constantly showcasing an endless stream of activities and experiences that others are enjoying, from which one might feel excluded. This exposure can lead to a psychological dependence on social media, resulting in FOMO (Shiva et al., 2020). FOMO is also relevant in other areas, such as video games, investing, & business marketing. This term became widely popular and has inspired various linguistic & cultural adaptations. FOMO is associated with increased levels of depression, anxiety & can contribute to a lower quality of life. It also affects business decisions, where hype and trends may cause business leaders to make investments based on what others are doing rather than following their own strategic plans (Mari, 2024). This behavior reflects the bandwagon effect, where people follow others' actions, believing them to be significant or worthwhile, often without fully understanding the reasons behind them. Despite possible doubts or disagreements, individuals may still participate to avoid feeling left out.

This phenomenon 'FOMO' was first emerged in scholarly discourse behavior [Herman, 2000]. This concept was introduced by McGinnis in 2004. By 2013, the abbreviation FOMO had gained widespread recognition and became entrenched in vari-ous English language dictionaries. By mid-2021, FOMO-related discussions had proliferated on Internet, with over 11 million articles, and by October 2023, this number had more than tripled, indicating the enduring popularity and relevance of the FOMO phenomenon. FOMO is prevalent concern that others may be enjoying pleasant experiences that one is missing, fuelling a drive to continuously engage with other people's experiences (Przybylski et al., 2013). This sense of discomfort & exclusion, fueled by the knowledge that peers possess something perceived as more meaningful or significant, has profound implications for individual behavior. In the 21st century, the

advent of social media & ubiquitous presence of World Wide Web have transformed the landscape of social interaction and information dissemination. These digital platforms serve as fundamental tools for gaining insight into the lives and activities of friends and acquaintances, amplifying the effects of FOMO on individual behavior. The study objective is (i) to explore the origin of the FOMO, (ii) to know about the factors which influence FOMO & (iii) to study the influence of FOMO on individual investors' decision-making. Given the increasing significance of social networks in shaping investment decisions, understanding FOMO's influence is particularly pertinent in today's digital age.

REVIEW OF LITERATURE

FOMO is the feeling of uneasiness or guilt a person may feel when one believes that others are gaining from a particular investing opportunity while they are not. FOMO is defined as a phenomenon that keeps a constant connect with what others are up to (Przybylski et al., 2013). Anxiety, depression, and stress are some of the symptoms of FOMO. This personality attribute impacts people's psychological well-being while making decisions, i.e., surfing social media, embracing new tech-nologies, crowdfunding, and investing (Stead & Bibby, 2017). This is the financial habit of copying other investors' methods out of fear of missing out on opportunities to invest & earn profits (Gupta & Shrivastava, 2022). Social networking platforms originated phrase "fear of missing out" in 2004. This appears to be connected to psychology, marketing, social life, and management. It might also be the cause of irrational investing decisions. FOMO is the dread of falling behind or losing the race that causes people to mimic what others are doing. According to Dogan (2019), consumers have an established and implanted conviction that they are missing out a chance or event that others are not.

Although most investors had yet to learn what cryptocurrency was, the buzz around the market was sufficient to cause FOMO about crypto success and inspire other investors to invest impulsively in it. Wherever consumer activity is involved, the likelihood of experiencing FOMO is significant (Denison, 2018). Humans have a strong urge to maintain contact with others around them. They are afraid that if they do not remain linked to the activities around them, they will miss out on the rewarding moments their friends or relatives are experiencing (Przybylski et al., 2013). Consequently, FOMO influences their financial decisions, whether consciously or unconsciously.

Table 1: Summary of Literature on FOMO impact o n the Investment Decision Making

Title	Author/ Year	Research Objective	Findings
"The Effects of FOMO on Investment Behavior in the Stock Market"	Idris (2024)	To investigate the relationship between FOMO and behaviors like overtrading and speculative investing.	FOMO leads to emotional reactions, causing irrational decisions that prioritize short-term gains.
The n kml,;. 'Fear of Missing Out on Cryptocurrency and Stock Investments: Direct and Indirect Effects of Financial Literacy and Risk Tolerance	Gerrans et al. (2023)	To examine how financial literacy and risk tolerance influence the effect of FOMO on cryptocurrency and stock investments.	FOMO significantly impacts investment behavior, with lower financial literacy and higher risk tolerance amplifying impulsive and speculative investment decisions.
"The Role of Fear of Missing Out on VC Investment Decisions"	Boada and Lerner (2023)	To introduce FOMO as a construct related to venture capital investment decisions.	FOMO influences venture capitalists' decisions, affecting their investment choices.
"Fear of Missing Out (FOMO) & Investment Decision" A Systematic Literature Review	Candra et al. (2023)	To explore how FOMO affects investment behavior and decision-making processes.	FOMO significantly influences investment decisions, highlighting the role of psychological factors.
"Fear of Missing Out Reality in Financial Investments"	Güngör et al. (2022)	To examine the impact of FOMO on investment decisions and its association with behavioral biases.	FOMO is linked to herding behavior and loss aversion, influencing individual investors' decisions.
"Catching the FoMO Fever: A Look at Fear in Finance"	Bonaparte and Fabozzi (2021)	To analyze the role of FOMO in financial markets beyond social anxiety.	FOMO extends beyond social anxiety, significantly impacting financial decision-making.

OBJECTIVE OF THE STUDY

The purpose of this study is to determine the impact of FoMO on individual investors' investment

Figure 1: Research Framework

Hypothesis:FoMO has positive impact on investors' investment decision-making.

METHODOLOGY

The data has been collected from 204 individual investors from Delhi NCR area through questionnaire using google forms. The investors must be at least of 18 years of age who must possess a sound knowledge of investment. The Questionnaire statements are taken from existing studies of fomo (Clor-Proell et al., 2017) & investment decision making (Scott & Bruce,1995). Each statement in the questionnaire was scored on 'five-point Likert scale', with frequency ranging from 'strongly disagree' to 'strongly agree'. Technique used to collect the data is purposive sampling. After gathering data, excel sheet was made by using this data and finally it is loaded into IBM-SPSS 26.0 to evaluate the final results.

RESULTS

Table 2: Demographic Profile

Variable	Frequency	Percentage
Gender		
Male	105	51.5
Female	99	48.5
Age (in years)		
18-29	73	35.8
29-39	54	26.5
39-49	36	17.6
49 or above	41	20.1
Occupation		
Business	59	28.9
Salaried	53	26
Retired	47	23.1
Student	36	17.6
Others	9	4.4
Annual Income (in rupees)		
Less than 5,00,000	10	4.9
5,00,000-10,00,000	29	14.2
10,00,000-15,00,000	56	27.5
15,00,000-20,00,000	47	23
20,00,000 and more	62	30.4
Percentage of income invested		
Less than 10%	43	21.1
10%-20%	53	26
20%- 30%	68	33.3
More than 30%	40	19.6

Source: Authors Own Computation

The demographic profile of investors shows a balanced distribution in terms of gender, with 51.5% male and 48.5% female participants. The age distribution shows that the majority of respondents are younger, with 35.8% aged between 18-29 years and 26.5% between 29-39 years, totalling 62.3% under the age of 40. This suggests that the survey primarily captures the perspectives of a younger demographic. Whereas, 17.6% lie in the age group 39-49 and 20.1% of the respondent are of age 49 & above. In terms of occupation, there is a diverse mix: 28.9% are business professionals, 26% are salaried employees, 23.1% are retired, 17.6% are students, and 4.4% fall into other categories.

Regarding annual income, the data reveals that most respondents are in higher income brackets, with 30.4% earning more than Rs.20,00,000 annually suggesting a relatively affluent group followed by 23% who fall into 15,00,000-20,00,000 income group. Further, 27.5%, 14.2% & 4.9% fall into income group 10,00,000-15,00,000, 5,00,000-10,00,000 and less than 5,00,000. This economic affluence is further reflected in their investment behavior: 33.3% of respondents invest between 20%-30% of their income, and 19.6% invest more than 30%. A smaller portion, 21.1%, invests less than 10% of their in-come, while 26% allocate 10%-20%. These figures indicate a strong inclination towards saving and investing among the respondents, particularly those in higher income brackets, highlighting their proactive approach to financial planning and wealth management (Table 2).

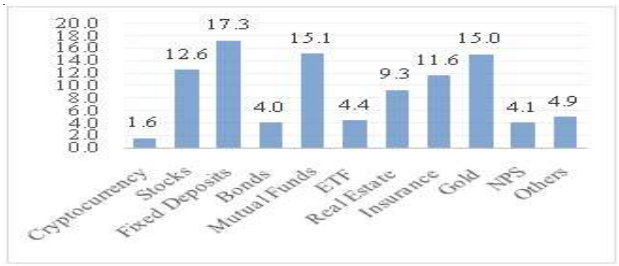

Figure 2: Percentage of investment in variety of securities

Source: Authors Own Computation

The above figure 2 shows the percentage of investment done by the individual investors in variety of assets. This figure is the proof that most preferred investment among them is Fixed Deposits (17.3%) followed by Mutual Funds (15.1%), Gold (15%), Stocks (12.6%), Insurance (11.6%), Real Estate (9.3%), ETF (4.4%) NPS (4.1%), Bonds (4%) and the least preferable among them was Cryptocurrency (1.6%).

Table 3: Item Loadings

Variable	Item Code	Loadings	AVE
Fear of Missing Out (FOMO)	F1	0.720	0.569
	F2	0.746	
	F3	0.850	
	F4	0.753	
	F5	0.822	
	F6	0.798	
	F7	0.709	
	F8	0.702	
	F9	0.700	
	F10	0.816	
Investment Decision Making (IDM)	ID1	0.776	0.592
	ID2	0.703	
	ID3	0.813	
	ID4	0.753	
	ID5	0.797	

Source: Authors Own Computation

The Validity Test result in Table 3 is used to measure the accuracy of the study using 15 questionnaire items. The research instrument consists of statements related to FOMO and Investment Decision-making. which can be concluded as valid based on the validity test results meeting the validity test requirements. There are two standard criteria to check construct validity.

(i) The factor loading values must be greater than 0.7 which indicate high level of validity, on the other hand value less than 0.5 indicate very low construct validity.

(ii) AVE must be greater than 0.5 which shows sufficient construct validity.

From the above table, it is clear that all items surpassed 0.7 & AVE Value are also more then 0.5 (Hair et al, 2021).

Table 4: Reliability Test

Variables	Cronbach Alpha	No. of Items
Fomo	0.802	10
IDM	0.756	5

'Cronbach's Alpha' was used to evaluate the internal consistency of the scale used in the study. The analysis resulted in Cronbach's Alpha coefficients of 0.802 for FOMO and 0.756 for IDM, indicating a high level of consistency among the items. These coefficients suggest that the items on the scale are closely related & effectively measure the underlying con-struct. Cronbach's Alpha of 0.70 or above is generally regarded as satisfactory for research purposes, on the other hand, value above 0.80 indicates strong reliability. This demonstrates that the measurement scale is reliable for capturing the intended construct. The high internal consistency strengthens confidence in the reliability of the study's findings & supports the validity of using the scale to accurately measure the targeted variables, as shown in Table 4.

Table 5: Model Summary

Model	R	R square	Adjusted R Square	Std. Error of Estimate
1	0.851	0.725	0.720	0.63428

Source: Authors Own Computation

Table 5 presents key statistics for a regression model, providing insight into its performance. The observed and predicted values have a strong positive linear connection, as portrayed by the correlation coefficient (R) of 0.851. With a R square value of 0.725, the model appears to be a decent fit to the data, explaining 72.5% of the variance in the "dependent variable." Furthermore, the estimate's standard error is 0.63428, which is comparatively low and shows that the model's projected values closely match the observed values. Although there is still some unexplained variance, the model has good predictive power overall.

Table 6: Model Testing Results

Hypothesis	Std. beta	t-statistics	p value	Decision
FOMO>IDM	0.851	12.876	0.000	Supported

Source: Authors Own Computation

Table 6 summarizes the hypothesis testing results examining the relationship between FOMO (independent variable) & IDM (the dependent variable). The standardized beta coefficient (Std. beta) of 0.851 points to a strong positive association, indi-cating that as FOMO rises, IDM also tends to increase. The t-statistic for this effect is 12.876, a high value that underscores the statistical strength of FOMO's influence on IDM. With p-value of 0.000, which is far below the standard very little possibility that relationship occurred by chance. Thus, the hypo-thesis that "FOMO positively impacts IDM" is supported by the data. These results suggest that FOMO is a significant pre-dictor of IDM, confirming the expected relationship.

HOW TO MITIGATE FOMO IN INVESTMENT DECISION-MAKING?

Given the negative consequences of FOMO on investment behavior, it is essential to consider strategies to mitigate its impact:

(a) Education and Awareness: Educating investors about the psychological biases that influence their decisions can help mitigate the impact of FOMO. Understanding how cognitive biases, which includes herd mentality and recency bias, impact judgment might assist investors in making more logical, long-term decisions. (Kahneman, 2011).

(b) Long-Term Investment Strategies: Urging investors to prioritize long-term investment plans over immediate profits can reduce the tendency to engage in FOMO-driven trading. Emphasizing diversification, fundamental analysis, and risk man-agement can promote more disciplined investing behavior (Malkiel, 2003).

(**c) Technology and Behavioral Interventions:** Digital platforms and financial advisors can use technology to provide be-havioral nudges and reminders that promote rational decision-making and discourage impulsive actions based on FOMO. For example, implementing features that highlight long-term goals and discourage frequent trading can help investors avoid FOMO traps (Thaler & Sunstein, 2008).

LIMITATIONS & FUTURE RECOMMENDATIONS

The findings of the study may be limited to specific demographic groups or types of investors, such as individual investors which subjects to limitation of the study, in future researcher should think at broadening the sample to more diverse invest-ment types such as institutional investors, seasoned traders, and those less active on social media. This would give a more thorough knowledge of investor FoMO and enhance the findings' generalizability. There are many psychological factors which affects Investment decisions, such as risk tolerance, overconfidence, and herd behavior. Focusing solely on FoMO may overlook these other important factors, leading to an incomplete understanding of the psychological influences on investment behavior. Future studies should consider incorporating a broader range of these factors to gain a more holistic understanding of the influences on financial decision-making.

This multi-faceted approach could reveal complex interactions between various psychological drivers.

CONCLUSION

In nutshell, the study revealed that fomo is positively associated with investment decision making of individual investors. Fomo act as a powerful psychological force that can significantly impact investment decision-making. It is driven by cogni-tive biases, social comparison, and the influence of digital media. While FOMO can lead to impulsive and irrational invest-ment behaviors, understanding its underlying drivers & implementing strategies to mitigate its effects can help investors make more informed & rational decisions. Continued research in this area is essential to further understand the role of FOMO in financial markets and develop effective interventions to support investor well-being.

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